



JIM JONES
Director

County of Los Angeles INTERNAL SERVICES DEPARTMENT

1100 North Eastern Avenue
Los Angeles, California 90063

Telephone: (323) 267-2101
FAX: (323) 264-7135

"To enrich lives through effective and caring service"

April 15, 2014

To: Each Supervisor

From: Jim Jones
Director

Subject: **STATUS REPORT #3 - REVIEW OF THE COUNTY'S SMALL BUSINESS COMMISSION PRIORITIES (ITEM 10, AGENDA OF JANUARY 29, 2013)**

On January 29, 2013, your Board instructed the Internal Services Department (ISD) to work with County Counsel and other County departments, as necessary, to investigate and report back to the Board with recommendations in response to the Small Business Commission's priorities, which included:

- Establishing a utilization goal for purchasing and contracting dollars with Local Small Business Enterprises (LSBEs);
- Providing regular reports reflecting the overall and individual department results in achieving the goal;
- Reviewing the existing local small business program and activities to determine its effectiveness;
- Considering raising departmental delegated purchasing authority for local small business awards; and
- Establishing a Disabled Veterans Business Enterprise (DVBE) Preference Program.

On April 23, 2013 and September 4, 2013, ISD provided status reports to your Board with specific action items to address the motion. This memo is to close out each action item, and provide ISD's recommendations in response to your Board's instructions.

Action Items

1. ISD enlisted the assistance of the College of Business and Economics at California State University, Los Angeles (CSULA), to provide a comprehensive analysis of the overall effectiveness of the County's small business programs in comparison to other public agencies, and to analyze and recommend a fair utilization goal for local small business.

Status: Completed. CSULA completed an expanded survey of businesses registered with the County and with the State of California; completed a data analysis and secondary analysis of business profiles, employment, public finance, overall production level, etc.; and submitted its final report (Attachment) to ISD on January 22, 2014.

2. Establish a DVBE preference program.

Status: Completed. ISD worked with County Counsel to prepare an ordinance, program and implementation instructions to establish an eight percent (8%) cost preference for DVBEs that participate in County solicitations for goods and services. The ordinance was approved by your Board on October 15, 2013, and became effective for County solicitations released on or after December 1, 2013.

ISD RECOMMENDATIONS

ISD is committed to work with the Small Business Commission (Commission) to expand the pool of qualified LSBEs within the County, to remove barriers to small business participation in County solicitations, to develop outreach programs for local small businesses, and to increase opportunities for LSBEs to obtain County business.

Consistent with CSULA recommendations, ISD will:

- Streamline the certification process in Los Angeles County by reducing the amount and type of paperwork required in the certification process
- Provide LSBE certification opportunities at Point of Sale by providing registration and certification services at pre-bid conferences and vendor workshops.
- Work with the State to identify newly certified LSBEs and fast track certification in Los Angeles County.
- Provide resources to assist LSBEs applying for small business contracts by leveraging purchasing and other staff to assist the Office of Small Business at outreach and other events.

- Improve marketing efforts to encourage local small businesses participation through mailings, email, workshops, media, business associations, community group meetings, and other outreach events (e.g., local Chambers of Commerce, etc.).
- Develop a phone survey to LSBEs in Los Angeles County to complement the email survey.
- Invest in technology tracking systems to identify and track LSBE subcontractor participation and awards.

Beyond the CSULA study, ISD will also examine small business programs and certification criteria in neighboring jurisdictions for the potential of establishing reciprocity agreements.

As instructed by your Board, ISD offers the following recommendations in response to each Small Business Commission Priority:

1. Small Business Commission Priority: Establish a Los Angeles County annual minimum goal (which is equal to the State of California goal) of twenty-five percent (25%) in its contracting and purchasing dollar utilization with local small businesses to be achieved in no more than twenty four months.

ISD Recommendation:

ISD recommends that a feasible utilization goal be established at ten percent, as follows:

- *Immediate* goal of five percent (5%)
- *Intermediate* (3 – 5 years) goal of seven percent (7%)
- *Long term* goal of ten percent (10%)

Based on its analysis, CSULA found that in order to achieve a 5% utilization goal the County would need to increase its existing population of 660 certified LSBEs by 1,537 new firms. For the intermediate goal of 7% the number of certified LSBEs would be 2,589; and the 10% goal would be 4,167 certified firms.

To further these goals, CSULA recommended that the County focus on outreach and potential certification of approximately 3,500 State certified firms located within the County. ISD agrees, and will reach out to this group over the next three months.

ISD plans to revisit these goals on a regular basis to assess program participation, technical capabilities, etc., and modify or accelerate the timeframes and goals, as warranted. As measured results are achieved, ISD will work with the Commission to set higher goals as feasible.

In addition, ISD will be analyzing those areas where LSBEs are currently doing business to determine if goals can be targeted by commodity or service category.

2. Small Business Commission Priority: Require the Chief Executive Officer (CEO) to provide quarterly reports and an annual report inclusive of corrective action as needed to the Board of Supervisors reflecting the County's overall, and individual department's results in achieving the local small business contracting and purchasing dollar utilization goal.

ISD Recommendation:

ISD will work with the Commission to develop and provide quarterly reports on the County's small business utilization statistics by overall and departmental usage to the Board, the CEO, and individual departments. As the responsible County department, ISD is the appropriate agency to report this data. ISD's report will disseminate successful strategies to increase small business participation.

3. Small Business Commission Priority: Initiate a review of existing programs and activities affecting local small business contracting and purchasing, inclusive but not limited to the "Bold Steps Forward", to determine their current status and effectiveness.

ISD Recommendation:

ISD will work with the Commission, and other applicable departments to review the status and effectiveness of the 1997 "Bold Steps Forward" report.

4. Small Business Commission Priority: Implement a review of best practices, internally and externally, to establish an actionable plan to help achieve and/or sustain the local small business contracting and purchasing dollar utilization goal and provide that plan to the Board of Supervisors within twelve months.

ISD Recommendation:

ISD will work with the Commission and affected departments to address the action steps identified in the CSULA report. This includes streamlining the LSBE certification process, working with the State to fast track LSBE certification in the

County, improving marketing efforts to LSBEs, and other initiatives. ISD will provide a status report to the Board within six months.

5. Small Business Commission Priority: As needed, provide support and incentives to assist County personnel in meeting their respective departmental and overall County goals.

ISD Recommendation:

ISD will explore this action further with the Commission. As previously discussed, action steps may include marketing the LSBE program with local business and community groups, examining the feasibility of establishing reciprocity arrangements with other government entities' small business programs, meeting with County departmental small business liaisons to provide technical assistance, etc.

6. Small Business Commission Priority: Increase the countywide departmental delegated contracting and purchasing authority to mirror the State of California's Simplified Acquisition Process.

ISD Recommendation:

This is a policy issue for your Board. The proposal would require modifications to applicable provisions of State law, County Code, Board policies, and County purchasing policies and procedures that govern delegated authority and competitive bid requirements.

The State's Simplified Acquisition Process provides for its departments to independently make awards for goods, services and information technology up to \$250,000, and up to \$270,000 for public works projects through a restrictive bid process. The awarding department is only required to seek two bids, both from State-certified small businesses.

In contrast, County policy is open competition by seeking the maximum number of bids in a solicitation, but also providing small business with an eight percent cost preference to level the playing the field.

The proposed policy change may require the introduction of a restrictive bid process, and/or an increase in delegated authority to allow departments to independently solicit and make awards that are currently under the authority of either your Board or ISD (as the County Purchasing Agent).

7. Small Business Commission Priority: Establish a preference program for Certified Disabled Veteran Business Enterprises to include the addition of three percent (3%) goal in utilization of Certified Disabled Veteran Business Enterprises.

ISD Recommendation:

As previously noted, your Board approved a DVBE ordinance on October 15, 2013. It became effective for County solicitations released on or after December 1, 2013. Consistent with the finding and recommendation by CSULA, ISD does not recommend establishing a utilization goal for DVBEs until such time as a baseline of participating firms is established.

If you have questions or need more information, please contact me at (323) 267-2101, or your staff may contact Joe Sandoval at (323) 267-2109.

JJ:JS

Attachment

c: Chief Executive Officer
County Counsel
ISD Board Deputies
Small Business Commission

**The Economic Impact of Small Business Utilization Goals
in the County of Los Angeles**

**Report for
The Office of Small Business
County of Los Angeles**

by

**The College of Business and Economics
California State University, Los Angeles**

January 22, 2014

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CHAPTER 1

EXECUTIVE SUMMARY

A. BACKGROUND:

Los Angeles County in collaboration with the California State University at Los Angeles, has conducted a study to understanding the significance and contribution of LA County contracts and procurements to small businesses to ensure the availability of future allocation of resources to Local Small Business Enterprises (LSBE). At the same time, impact analysis of LA County contracts and procurements to small businesses on county finance and the local economy is conducted to provide more information on any significant multiplier effect. Determining a “feasible” small business utilization goal for LA County awards of contracts and purchases will also be a goal in this study.

An exploratory survey was conducted to gather primary data from existing database of registered vendors. A survey comprising 34 questions were sent out to existing SBE registered with the LA County via an online delivery platform. 277 responded to the survey sent out and of the 277, 241 or 87% are registered Vendors. The 3 years surveyed are 2009-2010, 2010-2011 and 2011-2012. Some main findings demonstrated that SBEs do not know the application process and contract opportunities as well as find the application process too complex for the low price offered. The SBEs also provided feedback in 3 broad areas of Complaints, Suggestions and Interests.

In Chapter 5, impact of Contract Awards and Optimal Goals are considered. In the first section of the chapter, results from the survey sample are analyzed. They show that 277 firms responded to the survey questionnaire, but only 137 firms identified their products using North American Industrial Classification Code System (NAICS). We asked for NAICS code because it can be converted into IMPLAN code as we use the software for impact analysis. Even among the firms with NAICS codes, only 35 firms obtained contracts in 2011-2012. Because of such a small sample, we have to use the data provided by the LA County Office of Small Business.

The data contain 942 awards to certified firms with total awards of \$100 million and 3,664 awards to non-certified firms receiving \$4.2 billion awards in 2011. With 100 million in contract awards, the certified small businesses generated 8,268 new jobs. At the same time, the non-certified firms created 439,170 new jobs from \$4.2B awards. As 83 jobs were created by the certified firms per \$1 million award, while 105 jobs were created by the non-certified counterparts for the same amount

– a 26% difference --it is clear that the non-certified firms are more efficient in generating new jobs.

Again, to compare the certified firms with the certified firms dollar for dollar, we measured the impact of \$100 million in awards received by the non-certified firms. The results are surprising. 11,169 jobs would have been created by the non-certified, but just 8,268 jobs by the certified, a 35% difference. The conclusion is similar: the non-certified are more efficient in creating jobs than the certified.

In Section 3 of chapter 5, the effects of five utilization goal levels on employment generated by certified enterprises are considered. The choice of what utilization goal level is best is based on the social benefit-cost analysis. The County's social welfare would be maximized if marginal social benefit (MSB) is equal to marginal social cost (MSC). MSB is derived from employment created by the certified LSBEs. MSC includes the contract awards and opportunity cost of lost employment that would have been created by the non-certified LSBEs. The optimum number of additional jobs created for each utilization goal is the number for which $MSB = MSC$ at that goal level. The results are that at each level of utilization goals from 5% to 25%, there would be a fixed number of extra jobs to be created in order to maximize social welfare. For instance, at 5% goal (i.e. at \$241 million awards), the exact 13,830 direct jobs would have to be created to maximize welfare. Any other number of jobs created, say 10,000, would not maximize welfare at a 5% utilization goal level. At 10% utilization goal, 37,505 new direct jobs would be required. Using the average number of employees for both certified and non-certified firms (9), the number of 9-employee LSBEs is identified for each goal. For instance, at 5% goal, 1,537 new 9-employee LSBEs would be needed to generate the 13,830 direct jobs required to maximize welfare. At 10%, 4,167 new 9-employee LSBEs would be required. By "direct", we mean the jobs that are immediately created by the awardees just as in the direct employment effect of the impact analysis. The County can always mix the firms of different sizes and output multipliers to achieve the target employment based on the selected optimal goal.

B. CONCLUSION:

In sum, based on the social benefit-cost analysis and the number of state-certified LSBEs in the County (3,500), the recommendations from our study are the following:

Recommendations for feasible utilization goals:

- The optimal *immediate* utilization goal: 5%.
- The optimal *intermediate* utilization goal: 7%.
- The optimal *long-term* utilization goal: 9%.

The intermediate horizon is from 3 to 5 years, and the long-term horizon is from 8 to 10 years. Other recommendations on certification and contract awarding process are as follows:

1. Streamline the certification process in LA County
2. Provide certification opportunities at Point of Sale (P.O.S.)
3. Integrate with the State of California to identify newly certified LSBE and obtain their data in order to fast track their certification in LA County
4. Provide resources to assist LSBE in applying for Small Business contracts
5. Improve marketing efforts to LSBE
6. Invest in technology tracking systems
7. Develop a phone survey to LSBE in LA County to complement the email survey
8. County to generate more employment so as to achieve optimal goal

CHAPTER 2 RECOMMENDATIONS

A. RECOMMENDATIONS FOR UTILIZATION GOALS:

- The optimal immediate utilization goal: 5%.
- The optimal intermediate utilization goal: 7%.
- The optimal long-term utilization goal: 9%.


The intermediate horizon is from 3 to 5 years, and the long-term horizon is from 8 to 10 years. The recommendations are based on the social cost-benefit analysis. Besides the amount of awards as the direct cost, the marginal social cost (MSC) includes the opportunity cost incurred when awards were given to certified firms which could have gone to non-certified ones. The job loss by the non-certified firms is counted as an implicit opportunity cost. The marginal social benefit (MSB) is the compensation paid to employees hired by the certified firms. By the micro-economic principle, the County's social welfare is maximized if $MSB = MSC$. Once MSC is estimated for each goal level, MSB is identified for that level. Then MSB is converted into number of new jobs created. Using the current 2% of \$5B as the base and benchmark, the additional new jobs are estimated for each goal level to maximize the LA County's social welfare. Assuming that the average number of employee for both certified and non-certified firms is 9, the number of 9-employee LSBEs is identified for each goal. Using the list of 3,500 state-certified firms as the list of potential county-certified ones which might receive contract awards, we arrived at the optimal utilization goals above.


B. RECOMMENDATIONS FOR CERTIFICATION AND CONTRACT AWARDING PROCESS:

The recommendations listed below have been developed after conducting various interviews, examining the various data and information provided by County of Los Angeles Office of Small Business (OSB) surveying LSBE, and analyzing the economic impacts of LSBE on LA County. The decision to move forward with the recommendations will depend on the business readiness of OSB. These changes are important to commit to the betterment of LSBE endeavors. We have listed our recommendations in two areas. We first list those recommendations which are readily achievable and require minimal implementation costs to OSB and hence we denote these


recommendations as Low Hanging Fruit. The second type of recommendations will require an internal decision by OSB to pursue recommendations requiring higher implementation costs and hence we denote these recommendations as Business Readiness.


Low Hanging Fruit

Streamline the certification process in LA County

Certification requirements for LA County and the State of California are quite similar. OSB can leverage the State of California certification for LA County certification; meaning, for LSBE who are already certified with the State of California, minimize the additional efforts required for certification in LA County (Table 2, No. 8).
There are 3K vendors who are State of California certified and reside in LA County. OSB can fast track the certification process for these LSBE in LA County (Table 2, No. 7). 64% of survey respondents are certified at the State level (Table 10, No. 7).
Most survey respondents have their principal office location in LA County for at least the previous 12 months and therefore would meet one of the criteria of becoming certified as a LSBE in LA County (Table 10, No. 10).
OSB can reduce certification bottlenecks (e.g. excessive paperwork, redundant information already provided for the State of California certification) (Table 10, No. 27; Table 11, No. 1 and 2; Table 12, No. 3).

Provide certification opportunities at Point of Sale (P.O.S.)

At workshops, seminars, and information sessions, OSB can provide opportunities for certification, i.e., at the P.O.S.
Refer to Recommendation No. 1 for streamlining the certification process for LSBE.

Business Readiness

Integrate with the State of California to identify newly certified LSBE and obtain their data in order to fast track their certification in LA County

OSB will need to interface with the State of California resources to discuss some sort of integration.
OSB will need to invest human capital resources and possibly invest in a technology solution for this integration.

Provide resources to assist LSBE in applying for Small Business contracts

OSB can provide human capital resources to assist LSBE in the bid and contract process (Table 2, No. 10; Table 10, No. 27, 31, and 32; Table 12, No. 1).

OSB can explore using a technology solution to complement or supplement assistance provided by human capital resources (Table 12, No. 2).

Improve marketing efforts to LSBE

OSB currently offers workshops, seminars, and information sessions as well as other communications to LSBE. However, approximately 43% of survey respondents were not aware of the Small Business Preference Program (Table 10, No. 25 and 29). OSB can conduct a marketing assessment and develop a marketing plan and strategy to increase awareness and participation (Table 10, No. 31; Table 11, No. 4).

OSB can improve messaging and communication in workshops, seminars, and information sessions (Table 2, No. 5).

Invest in technology tracking systems

LA County does not track Subcontractor data except on large public works projects (e.g., the MLK project). By not tracking Subcontractor data, OSB has under represented the amount awarded to LSBE. With a tracking system, OSB can collect the data it needs and to create reports.

Data and reports will allow OSB to continuously monitor and manage as well as make policy decisions. (“You can only manage what you can measure.” – Peter Drucker)

Develop a phone survey to LSBE in LA County to complement the email survey

To get a better representation of LSBE responses, OSB can conduct a phone survey in an effort to increase the survey response rate and also better capture comments to open-end questions.

Phone survey can give OSB more direct interaction with LSBE.

CHAPTER 3

INTRODUCTION

A. BACKGROUND OF THIS STUDY:

The County of Los Angeles Office of Small Business (OSB) contracted the College of Business & Economics at California State University, Los Angeles (CBE) to examine:

- The impact of the recent ‘Great Recession’ on Local Small Business Enterprises (LSBE) in Los Angeles County (LAC).
- The current challenges facing LSBE.

The CBE’s approach was to conduct interviews with OSB resources as well as develop, conduct, and analyze surveys with LSBE. Table 1 lists the background data and information the OSB provided the CBE to represent the current snapshot of Certified LSBE and OSB.

Table 1: Background Data and Information
Databases:
State Database of LA County businesses
PTAC Database
Local Small Business Enterprise Awards, Services, and Supplies Database
Other Information:
Cognos reports of the number of solicitations to Certified LSBE and the number of respondents
Forms required to become a State Certified LSBE
Forms required to become a LA County Certified LSBE
Solicitation package for a Purchasing Bid
Sample Service Contract Bid
Master Agreement
Flowchart of the process – how a business puts in a bid, how the bid flows through the system, what documents get generated, and where documents go and when
Web link to the last State Consolidated Annual Report
LSBE Preference Program Brochure
Steps involved in the LSBE Preference Program
Community Business Enterprise Program Application
Local Small Business Enterprise Activity Report by Departments
Small Business and Disabled Veterans Business Enterprise Certification Application
Services Contracting Samples

OSB Staff Interviews

The CBE conducted interviews (in person and via phone):

- County of Los Angeles Purchasing Division
- County of Los Angeles Office of Small Business
- County of Los Angeles Small Business Commission
- State of California Department of General Services, Procurement Division

Table 2 details the CBE's observations and takeaways after a review of the background data and information in Table 1 and the interviews with OSB Staff.

Table 2: CBE Observations and Takeaways from Interviews with OSB Staff		
No.	Observation	Takeaway
1	The State of California has indicated they have 20-30K Certified LSBE.	LA is the largest city and county in the State of California and is estimated to represent 1/4 to 1/3 of LSBE. Therefore, LA County has the potential to have 6-10K Certified LSBE.
2	Today (2013), there are 650-700 Certified LSBE in LA County.	This is a small percentage of Certified LSBE in LA County relative to the size of LA County.
3	<ul style="list-style-type: none">• In 2010, there were 300 Certified LSBE in LA County. Today (2013), there are 650-700 Certified LSBE in LA County.• About 48% of the 650 Certified LSBE registered in LA County were awarded contracts. This has been consistent over the last 2-4 years.	Despite the increase in the number of Certified LSBE, the percentage of Certified LSBE awarded contracts has remained the same at 48%.
4	Approximately 300 Certified LSBE in LA County have received \$100 million in contracts (out of \$6 billion).	OSB needs to increase the number of Certified LSBE and diversification within Certified LSBE.
5	County has conducted numerous outreach workshops with 50-100 attendees, but they have not seen a significant increase in the number of LSBE going through the process to become certified.	There is either a gap in the training provided in the workshops versus what is required to be certified or LSBE are not interested in becoming certified.

Table 2: CBE Observations and Takeaways from Interviews with OSB Staff		
No.	Observation	Takeaway
6	In conversations with various LSBE, OSB Staff believe process, procedural, and system improvements are a big part of the recommendations that need to come out of the LSBE surveys.	LSBE have communicated directly with OSB Staff regarding a more efficient certification process.
7	<ul style="list-style-type: none"> • There are 26K vendors currently registered with LA County that meet the State of California's definition of LSBE and qualifies for the OSB Certification program. • There are 3K vendors who are State of California certified and reside in LA County. • There are 650-700 Certified LSBE in LA County. 	There is an opportunity to convert existing LSBE who are State of California certified and reside in LA County to participate in the OSB Certification program.
8	<p>The main effort for a LSBE to become certified is at the State of California level. The additional efforts required for a LSBE who is already State certified to become LA County certified is:</p> <ul style="list-style-type: none"> • The LSBE must be registered with LA County. If the LSBE is not registered, then the LSBE must complete a 4-page form that takes about 30 minutes. • The LSBE must provide documentation they operate in LA County (i.e., copies of utility bills, leases, bank statements, etc. with an address in LA County). 	The majority of the work to become certified is at the State of California level. Very little additional work is required to be certified at the LA County level.
9	Each county has its own registration and counties do not share registration information.	To register in another county, the LSBE must complete another registration, which is inefficient.
10	Once registered, LA County will send the LSBE a solicitation package that is 26 pages in length and includes Terms and Conditions (T&C). Some LSBE perceive they need an attorney to review the T&C. LA County has tried to overcome this perception by having their in-house counsel hold information sessions.	The lengthy package and the language in the T&C may cause uneasiness and result in the LSBE feeling they need to either spend copious hours reviewing the package or consult an attorney. This can also be challenging if LSBE have limited capabilities and resources.
11	LA County does not track Subcontractor data except on large public works projects (e.g., the MLK project).	By not tracking Subcontractor data, the amount awarded to LSBE has been underrepresented.

Small Businesses are a key component of California's economy. According to a recent letter presented by Governor Brown, California has 3.4 million small businesses which account for 99 percent of the state's employers and employ 52 percent of the workforce.

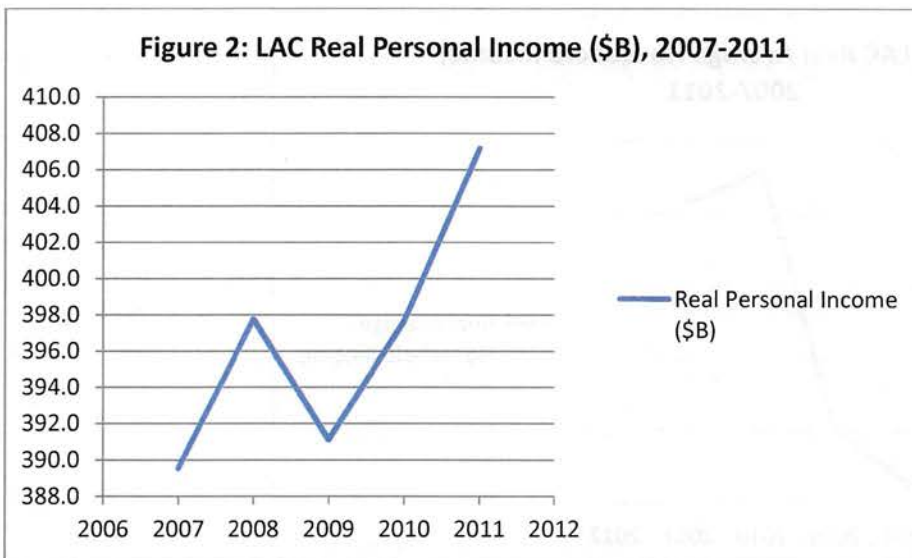
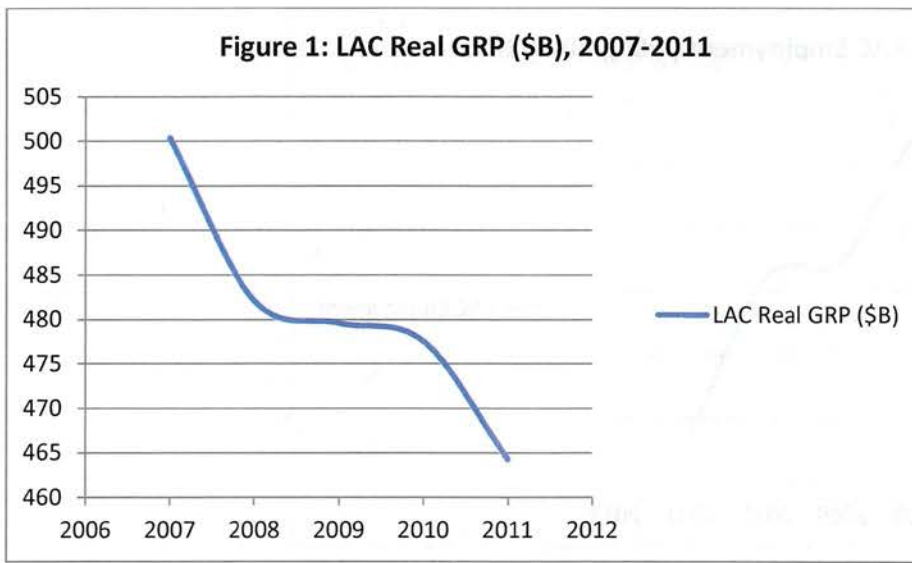
B. ECONOMIC SETTINGS OF LOA ANGELES COUNTY:

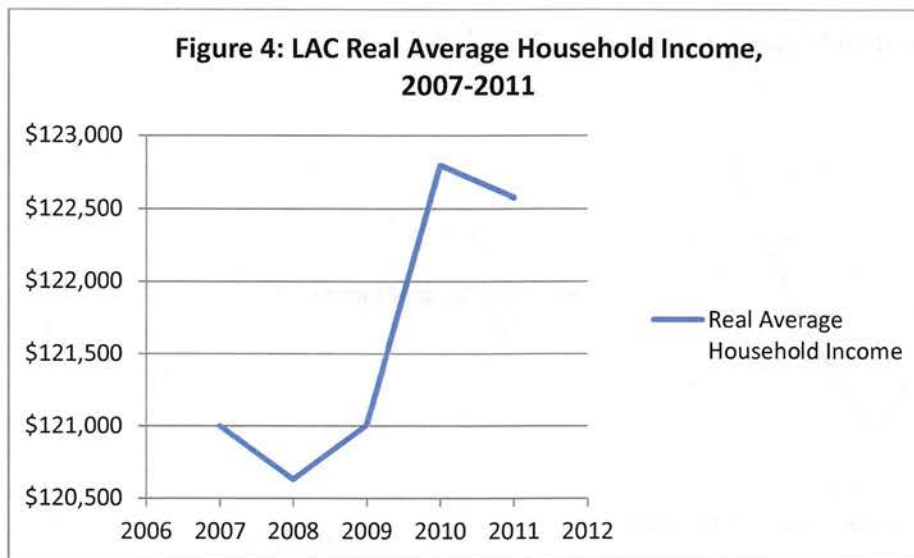
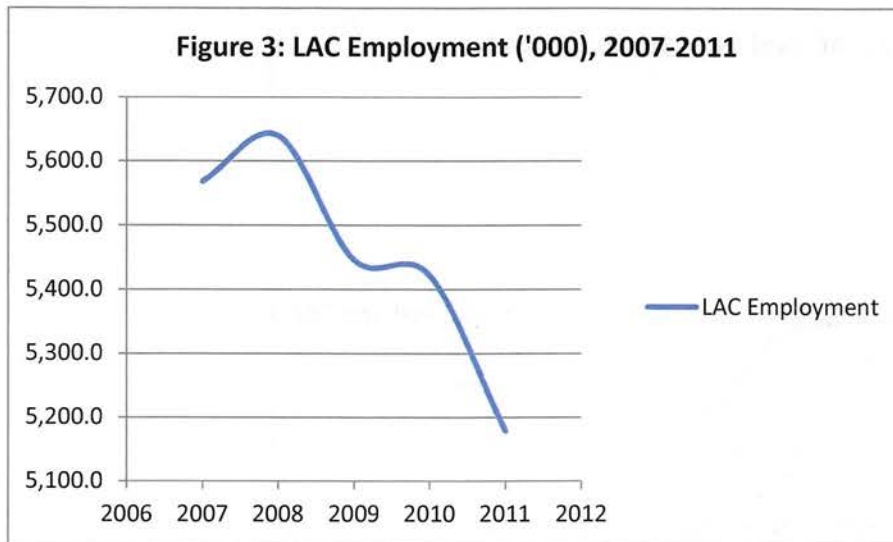
In terms of GDP, California is ranked 8th largest economy (together with Italy and Russia) in the world after USA, China, Japan, Germany, France, UK, and Brazil. California accounts for 13 % of the United States GDP as compared to its population share of 12%.

California thus is the largest state in the union in terms of population and output. Similarly, Los Angeles County is the largest county in California in terms of Gross Regional Product and population.

TABLE 3: Los Angeles County Major Economic Indicators

	Real GRP	Real Personal Income	Employment	Population	Household	Real Average Household Income	Real Employee Compensation	Real Compensation per Employee
	(\$B)	(\$B)	(thousands)	(thousands)	(thousands)		(\$B)	
2007	500.300	389.5	5,567.4	9,878.6	3,219.1	\$120,999	274.20	\$49,251
2008	482.075	397.7	5,638.8	9,862.0	3,248.6	\$120,627	274.01	\$48,594
2009	479.53	391.1	5,445.0	9,848.0	3,234.3	\$121,004	261.14	\$47,959
2010	477.474	397.6	5,421.0	9,880.1	3,239.2	\$122,791	260.88	\$48,125
2011	464.169	407.2	5,177.6	9,889.1	3,311.7	\$122,571	255.82	\$49,409





**Figure 5: LAC Real Compensation per Employee,
2007-2011**

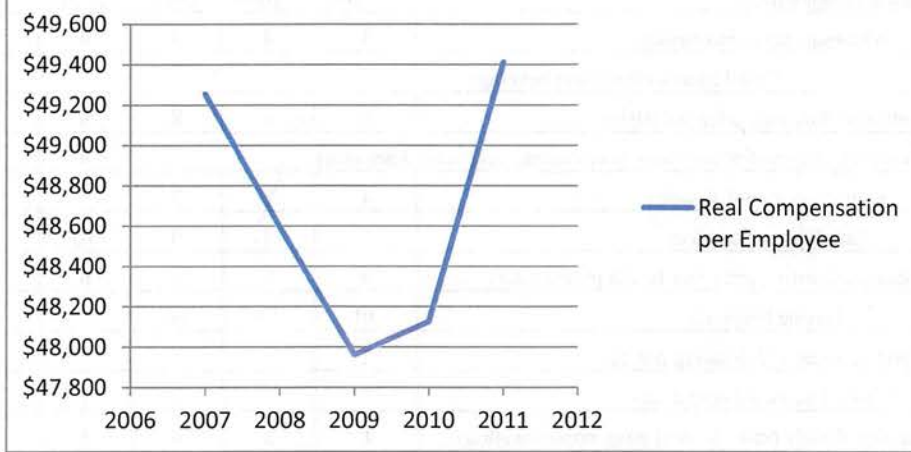


TABLE 4: Rank of LAC Top Ten Industries based on Employment

Rank of Top Ten Industry based on employment		2007	2008	2009	2010	2011
319	Wholesale trade businesses	3	4	5	4	3
324	Retail Stores - Food and beverage					10
346	Motion picture and video industries	6	6	8	8	7
356	Securities, commodity contracts, investments, and related activities				9	
360	Real estate establishments	4	2	3	3	4
382	Employment services	7	8	9	10	8
394	Offices of physicians, dentists, and other health practitioners	9	9	6	6	5
397	Private hospitals	10	10	10		9
413	Food services and drinking places	2	1	1	1	1
426	Private household operations	8	7	7	7	
437	* Employment and payroll only (state & local govt, non-education)	1	3	4	5	6
438	* Employment and payroll only (state & local govt, education)	5	5	2	2	2

Figure 1 shows real Gross Regional Product of Los Angeles County has declined continuously since the Great Recession (California GDP deflator base year is 2007). Real personal income (Figure 2), average household income (Figure 4), real compensation per employee (Figure 5) fell during the recession but rose afterward during 2007-2011. This is because employment (Figure 3) has decreased by an average 1.7% during this period while real personal income increased by 1.1%. Real average household income barely rose in this period and compensation per employee remained stagnant. The great concern is about falling employment. We do not foresee that the economy of LAC will perform better than the State or the nation whose recovery has been painfully slow. Most studies point to small businesses playing a major role in the economy of the nation in providing employment.¹ We would expect they play the same important role in the State and in the County. Although the non-certified firms are more effective in generating employment than the certified LSBEs, we should bear in mind that it is purely a marginal effect. The share of total employment generated by SBs still surpasses that of the non-SB ones.

The state and local government non-education sector is the largest employer in the County in 2007 at the peak of the cycle. Now it is replaced by the food services and drinking places in its first place. Consistent with casual observation, Los Angeles County has been a major capital in the nation for diverse food and drinking places. The state and local educational institutions remain a

second place after the recession starts in 2008 until now. Wholesale trade and real estate vie the third and fourth place, interchange between during 2010-2011. As expected, motion picture and video sector remains in the top ten, but has slightly decreased its place from 6 to 8, then now 7. Offices of physicians, dentists, and other health practitioners and the private hospitals have become increasingly important. As we see later, only three of these 10 important sectors for the County appear in the top ten lists among the small businesses that received the contract awards, namely real estate establishments, employment services, food services and drinking places.

The recent Great Recession had left many businesses in the United States and in LA County seeking to find alternative sources of contracts and business. The LA County offers an annual amount of about \$6 Billion that can be awarded to small businesses. However, the accessibility of Small Business Enterprises (SBE) to sources of capital is limited and there is room for LA County to make the resources more readily assessable and feasible. However, knowledge of the current challenges facing the SBE with respect to seeking contracts from LA County is unknown or limited.

In view of the gap between availability of resources to accessibility of it, a few issues need to be addressed. First, understanding the scope of the small business in LA County (business types, number of employees, asset level, profit margin, number of years in the business) will be necessary. Next, the participation and experience of the SBE with public sector contracts and procurements (federal, state, county, city, school districts, UC/CSU) is another area that can be investigated. Understanding the significance and contribution of LA County contracts and procurements to small businesses will also determine the availability of future allocation of resources to local SBEs. At the same time, the impacts of LA County contracts and procurements to small businesses on county finance and the local economy can provide more information on any significant multiplier effect. Determining a feasible small business utilization goal for LA County awards of contracts and purchases will also be necessary.

The study of the SBE accessibility to the contracts and purchases will be conducted with a small business survey based on the business registration data in the state or the county. Secondary data to be identified include LA County business profiles, employment, public finance, overall

production level, etc. An economic impact model for LA County will also be analyzed and simulations on the economic impacts of feasible small business utilization goals will be conducted.

This study will provide a recommended level of small business utilization rate in public contracts and procurements. Also significant economic impacts of LA County contracts and procurements to small businesses on county finance and the local economy will be identified. Lastly, institutional recommendations on the structure and mechanism of managing types of contracts and bids that best serve the goal of LA County on SBE will be provided.

Neumark, David, Wall, Brandon, and Junfu Zhang (2008), *Do Small Businesses Create More Jobs? New Evidence for the United States from the National Establishment Time Series*, IZA Discussion Paper No. 3888.

CHAPTER 4

EXPLORATORY SURVEY

The County of Los Angeles and California State University, Los Angeles surveyed LSBE to determine how to best allocate \$6 billion in contracts to Certified LSBE in LA County.

The 2013 LA Bid Contract Survey highlighted the following goals and potential benefits:

- **Benefits to LSBE:**
 - Streamline the certification process for LSBE. Certified LSBE have an advantage in getting these contracts.
 - Facilitate Certified LSBE in getting these contracts.
 - Maximize payouts to Certified LSBE.
- **Benefits to LA County:**
 - Measure the impact of annual payouts on the County's economy.
 - Improve the services to the Small Business community.

A survey comprising 34 questions were sent out to existing SBE registered with the LA County via an online delivery platform. The survey was sent with a cover letter and accessible via a URL link provided. The survey cover letter and the survey are available in the Appendix of this report.

A few observations that stand out from this exploratory survey are that

- SBEs do not have enough knowledge on the application process know-how
- SBEs feel that the contract amounts are low price and lengthy and complicated in application
- SBEs do not have the capacity for the large scale tenders
- SBEs were not aware of the opportunities
- SBEs provided feedback in 3 broad areas of Complaints, Suggestions and Interests

Summary of Exploratory Research

277 responded to the survey sent out by the LA County working in collaboration with the Cal State LA Consulting Research Team. Of the 277, 241 or 87% are registered Vendors. The 3 years surveyed are 2009-2010, 2010-2011 and 2011-2012.

The Average Gross Annual receipts for 2009 – 2010 was about \$1.755M, for 2010 – 2011 was about \$1.875M and for 2011 – 2012 was about \$2.025M. The corresponding average number of employees for the 3 years is 4.2, 2.5 and 3.5.

Of the 277 that responded, 263 or 94.9% are defined as Small Business by the State of California. The number certified as SBE by the State is 178 or 64.2%. The number of registered and self-certified as a Small Business on the Federal System for Award Management (SAM) is 122 or 44%.

The number of Disabled Veteran Business Enterprise (DVBE) as defined by the State of California is 8 or 2.9%. 260 of the 277 respondents (93.9%) had their Principle office located within the LA County.

The average government contract amount is \$700,000 for 2009-2010, \$550,000 for 2010-2011 and \$700,000 for 2011-2012. The average number of employees that worked on the County contracts for 2009-2010 is 4.7, for 2010-2011 is 4.3 and for 2011-2012 is 4.65.

The number who obtained the contract as a Main Contractor was 158 or 57%. The number who have a sub-contractor is 38 or 13.7%. The amount paid to sub-contractors is about \$0-\$50,000 for 77% of the respondents for the each of the 3 years. It is \$50-100,000 for 9% of the respondents and \$100-250,000 for 10% of the respondents for each of the 3 years. Only 2% had an amount \$250-500,000 for each of the 3 years. For 2011-2012, 2% had paid \$500-\$1M to their subcontractors.

For the number of subcontractors that had worked on the subcontracts, about 74% had 1-10 employees and about 9% had 10-50 employees. About 17% do not know the number for each of the 3 years reported. About 52% had used subcontractors for 5% of their time, about 15% had used subcontractors for 10%-25% of their time for each of the 3 years. About 10% used subcontractors for > 25% of their time for each of the 3 years.

25 or 9% of the respondents used subcontractors defined as Small Business by the State. 38 or 13.7% included the subcontractor expense in their request to the County. 156 or 56.3% of the respondents currently do Business with a Government Entity. The type of Government Business is about evenly distributed for Federal, State, County, Local and Others.

For Certification as a Small Business, about 15% is at the Federal Level, 25% at the State Level, 20% at the County Level, 20% at the Local level. About 15% are not Certified.

146 of the 277 respondents or 52.7% are aware of the County's Small Business Preference Program. 112 or 40.4% are not aware but motivated now to get certified.

The Reasons for not getting Certified by the County are as in Table 5 below.

TABLE 5: Reasons for not getting certified by the County

Have not gotten to it yet but will do so this year	25.1% of respondents
More profitable in the private sector	8.9% % of respondents
Not enough contracts/money procured by the County in my field	17.32% % of respondents

Not enough knowledge to identify contracts	26.8% % of respondents
Not enough knowledge to submit bids	22.35% % of respondents
Not enough knowledge to know how bids are awarded	26.26% % of respondents
County contracting process is too complicated and lengthy	22.35%% of respondents
Have not gotten to it yet but will do so this year	25.1% of respondents

164 or 59.2% had responded to a bid by the County. For those that had responded to the bid by the County, the results are as in Table 6. About 40% was successful and will continue to bid while 48.6% was not successful and will continue to bid.

TABLE 6: Results of Respond to County

Was successful and plan to continue to seek County contracts	39.9% of respondents
Was successful and will not continue to seek County contracts	1.7% of respondents
Was not successful and plan to continue to seek County contracts	48.6% of respondents
Was not successful and will not continue to seek County contracts	9.8% of respondents

For those that were not successful and will not continue to seek County Contracts, the reasons are as in Table 7. 43.1% were concerned about the low pricing.

TABLE 7: Reasons for not continuing to seek Country Contracts

Low Pricing	43.1% of respondents
Long Lead Time Required	20.7% of respondents
Insufficient Capability	28.45% of respondents
Slow Payment	25% of respondents
Insurance	13.8% of respondents
Others	28.5% of respondents

Table 8 shows the reasons why the respondents are not trying to get a contract with County. 20% are unaware of the opportunities while 16.1 % indicated too much time and paperwork and 14.6% indicated too many regulations.

TABLE 8: Reasons for not continuing to seek Country Contracts

Was not aware of the opportunities	20.00%
Not enough opportunities to be profitable	9.23%
Too much time and paperwork involved	16.15%
Too many regulations	14.62%
Low Pricing	8.46%
Long Lead Time	3.85%
Insufficient Capability	3.08%
Insurance	5.38%
Slow Payment	5.38%

Have not gotten to it	6.92%
Others	6.92%

For Small Businesses not conducting business with the County, 91.4% of the respondents indicated that they are motivated and would like more information and assistance now that they are aware that the LA County purchases \$6B a year in goods.

Table 9 reflects the various channels through which Small Businesses would like to obtain County SB Program Information. 82.3% preferred emails, 39.8% workshops, 32% through business organizations and 30% through mailings.

TABLE 9: Suggested Effective Ways to let SB know about the County's SB Program

Radio	9.8% of respondents
Newspapers	5.6% of respondents
TV	7.5% of respondents
Mailings	30% of respondents
Workshops	39.8% of respondents
Through business associations like Chamber of Commerce, Economic	31.95% of respondents
Email	82.3% of respondents
Other (Specify)	6% of respondents

The results of the 2013 LA Bid Contract Survey provided insight on the low LSBE certification in LA County. Table 10 lists selected close-end questions/responses that support this insight and includes takeaways.

Table 10: 2013 LA Bid Contract Survey – Selected Close-End Questions/Responses and Takeaways			
No.	Survey Question	Response	Takeaways
7	Are you certified as SBE with the State?	Yes = 63.64% (98) No = 36.36% (56) Number of respondents = 154 Number who skipped this question = 2	64% of survey respondents are certified at the State level.
8	Are you registered (and self-certified) as a Small Business on the Federal System for Award Management (SAM) database?	Yes = 48.34% (73) No = 42.38% (64) Not applicable = 9.27% (14) Number of respondents = 151 Number who skipped this question = 5	Survey respondents were almost equally distributed between those who were registered and those who were not registered.

Table 10: 2013 LA Bid Contract Survey – Selected Close-End Questions/Responses and Takeaways

No.	Survey Question	Response	Takeaways
9	Are you a Disabled Veteran Business Enterprise (DVBE) as defined by the State of California?	Yes = 4.64% (7) No = 95.55% (145) Number of respondents = 151 Number who skipped this question = 5	DVBE had a low response rate among survey respondents.
10*	Is your principal office located within the County of Los Angeles for at least the previous 12 months?	Yes = 93.55% (145) No = 6.45% (10) Number of respondents = 155 Number who skipped this question = 1	Most survey respondents have their principal office location in LA County for at least the previous 12 months and therefore would meet one of the criteria of becoming certified as a LSBE in LA County.
26	Are you aware that the County has a small business preference program? This program allows for an 8% cost preference to businesses certified with the County as a Local Small Business Enterprise.	Yes = 56.58% (86) No but I am more motivated to get certified = 40.13% (61) No and I am still not motivated to get certified = 3.29% (5) Number of respondents = 152 Number who skipped this question = 4	More than half of survey respondents were aware of the Small Business Preference Program. Approximately 43% of survey respondents were not aware of this program.

Table 10: 2013 LA Bid Contract Survey – Selected Close-End Questions/Responses and Takeaways

No.	Survey Question	Response	Takeaways
27*	What is the reason for not getting certified by the County? Please check all that apply	<ul style="list-style-type: none"> • Have not gotten to it yet but will do so this year = 12.63% (24) • More profitable in the private sector = 5.26% (10) • Not enough contracts/money procured by the County in my field = 8.95% (17) • Not enough knowledge to identify contracts = 14.21% (27) • Not enough knowledge to submit bids = 12.63% (24) • Not enough knowledge to know how bids are awarded = 15.26% (29) • County contracting process is too complicated and lengthy = 20.53% (39) • Other (Please Specify) = 10.53% (20) <p>Number of respondents = 99 Number who skipped this question = 57</p>	The preponderance of survey respondents identified (1) problems with the LA County process and (2) lack of capability (i.e., knowledge) by LSBE as the major reasons for not becoming certified as a LSBE in LA County.
28	Have you ever responded to a solicitation or bid with LA County?	<p>Yes = 61.84% (94) No = 38.16% (58) Number of respondents = 152 Number who skipped this question = 4</p>	Most survey respondents have responded to a solicitation or bid with LA County.

Table 10: 2013 LA Bid Contract Survey – Selected Close-End Questions/Responses and Takeaways

No.	Survey Question	Response	Takeaways
29	If Yes to previous question, please check all that apply	<ul style="list-style-type: none"> • Was successful and plan to continue to seek County contracts = 33.33% (33) • Was successful and will not continue to seek County contracts = 2.02% (2) • Was not successful and plan to continue to seek County contracts = 51.52% (51) • Was not successful and will not continue to seek County contracts = 13.13% (13) <p>Number of respondents = 99 Number who skipped this question = 57</p>	Of the survey respondents who have responded to a solicitation or bid with LA County, more than 65% were not successful.
31*	If No to Q28, what are the reasons for not trying to get a contract with LA County? Please check all that apply	<ul style="list-style-type: none"> • Was not aware of the opportunities = 26.23% (32) • Not enough opportunities to be profitable = 11.48% (14) • Too much time and paperwork involved = 22/13% (27) • Too many regulations = 15.57% (19) • Have not gotten to it = 15.57% (19) • Other (Please Specify) = 15.57% (19) <p>Number of respondents = 76 Number who skipped this question = 80</p>	The preponderance of survey respondents identified (1) problems with the LA County process and (2) lack of awareness by LSBE as the major reasons for not responding to bids or solicitations by LA County.

Table 10: 2013 LA Bid Contract Survey – Selected Close-End Questions/Responses and Takeaways

No.	Survey Question	Response	Takeaways
32*	The LA County purchases \$6 Billion a year in goods and services. If you are currently not doing business with LA County, please check all that apply.	<ul style="list-style-type: none"> • Yes, I am motivated and would like more information and assistance = 92.70% (127) • Yes, I am motivated but would not like more information and assistance = 2.19% (3) • No, I am not interested but would like more information and assistance = 2.19% (3) • No, I am not interested and would not like more information and assistance = 2.92% (4) <p>Number of respondents = 137 Number who skipped this question = 19</p>	The majority (approximately 93%) of survey respondents would like <u>more information and assistance</u> in doing business with LA County.
33	What would you suggest as the most effective way to let the small business community know about the County's Small Business Program?	<ul style="list-style-type: none"> • Radio = 3.19% (10) • Newspapers = 2.88% (9) • TV = 3.19% (10) • Mailings = 14.70% (46) • Workshops = 19.17% (60) • Through business associations like Chamber of Commerce, Economic Development Organizations etc. = 15.34% (48) • Email = 38.66% (121) • Other (Please Specify) = 2.88% (9) <p>Number of respondents = 152 Number who skipped this question = 4</p>	Survey respondents prefer to have communication by email, workshops, business associations and regular mail.

The 2013 LA Bid Contract Survey had one open-end question (No. 32) for general comments. Also, there were 3 close-end questions (No. 26, 29, and 31) whose response included an 'Other

(Specify)' for additional comments. In general, responses can be categorized into complaints and suggestions. Table 11 lists some of the complaints and Table 12 lists some of the suggestions.

Table 11: 2013 LA Bid Contract Survey – Open-End Questions, Sample of Complaints and Takeaways		
No.	Sample of Complaints	Takeaways
1	<ul style="list-style-type: none"> • "... its not fair, to use It takes me 4-6 hours to do the paperwork required for bids - even for renewals. Can't the information be retained?" • "Your bid packages are inordinately long -- the last one we submitted was 77 pages+." • "... Too much paperwork for too little money." • "The process is very confusing and complicated." • "The County of Los Angeles should make the guidance, bidding and RFP process easier and should provide far more support to small local businesses." 	<i>Inefficient Process and Lack of Capability</i> was the most common complaint cited by survey respondents about the LA County bid and contract process.
2	<ul style="list-style-type: none"> • "Your years of experience requirements are often too strict for small businesses" • "I don't understand why you need my income." • "... It takes money to get certified, to get licensed, too much red tape." 	<i>Bureaucratic Failure and Red Tape</i> was the second most common complaint cited by survey respondents about the LA County bid and contract process.
3	<ul style="list-style-type: none"> • "... it seems like the government always pick the lowest bidder regardless of quality of work Very difficult to compete with other suppliers" • "8% cost preference is not enough when competing against out of state manufacturers" • "It seems to me that the same agencies win the bids and that bids are awarded to big agencies only." • "When you do marketing and pr, it is more difficult to get contracts because people are proprietary with the marketing dollars and want to go with a company that they know. It has been difficult for us to get a county contract." • "I have bid on DGS contracts, they are always awarded to the contractor not minority" • "I think the county really needs ot look at the indemnification clause which means my tiny business has to indemnify the county's billion dollar business." 	<i>Preference Diversification Needed</i> was the third most common complaint cited by survey respondents about the LA County bid and contract process.

Table 11: 2013 LA Bid Contract Survey – Open-End Questions, Sample of Complaints and Takeaways		
No.	Sample of Complaints	Takeaways
4	<ul style="list-style-type: none"> • “We registered with all agencies and have heard absolutely NOTHING?” • “I’ve don’t know how to receive county bids.” • “I have filled out the ITSSMA, but have received no notification of open bids” 	<i>Lack of Communication and Awareness</i> was the fourth most common complaint cited by survey respondents about the LA County bid and contract process.

Table 12: 2013 LA Bid Contract Survey – Open-End Questions, Sample of Suggestions and Takeaways		
No.	Sample of Suggestions	Takeaways
1	<ul style="list-style-type: none"> • “There should be a team/program specifically to help small businesses win bids” • “I would like someone to walk me through the process of being certified and help with my first contact bib.” • “A Mentor from the County would be extremely helpful to assist with the process in securing contracts. The classes are great, but it's difficult to get to the right contacts for my staffing firm” • “Provide online training workshops” 	<i>Provide Additional Resources/Services to LSBE</i> was the most common suggestion cited by survey respondents about the LA County bid and contract process.
2	<ul style="list-style-type: none"> • “User friendly system and results on bidding would be encouraging.” • “The county portal (Webven) is not very friendly portal to search bids. I think County can make it more user friendly like LABAVN. We are not motivated to search bids on Webven as it is a cumbersome process. Please address this issue ASAP,” • “... why can't bidding be done online like LADWP?” 	<i>Provide a Technology Solution</i> was the second most common suggestion cited by survey respondents about the LA County bid and contract process.

Table 12: 2013 LA Bid Contract Survey – Open-End Questions, Sample of Suggestions and Takeaways

No.	Sample of Suggestions	Takeaways
3	<ul style="list-style-type: none"> • “Hope there are ways to unify certification not only statewide, but nationwide. Small business cannot afford spending too much time on certification preparations.” • “Make it much more streamlined to apply and be certified. Small businesses are stretched thin.” • “After 22 years in business, however, seems like it has to be a complete specialization to do work with public entities. Truly appreciate you reaching out however. Hope for a brighter (more streamlined!) future!” 	<p><i>Streamline the Certification Process</i> was the third most common suggestion cited by survey respondents about the LA County bid and contract process.</p>

General comments provided by the respondents can broadly be classified into complaints, suggestions and area of interests. The aggregated comments for Question 34 from the Survey are listed in Appendix 3.

CHAPTER 5

IMPACT ANALYSIS OF CONTRACT AWARDS AND OPTIMAL UTILIZATION GOALS

A. ANALYSIS OF THE SAMPLE SURVEY RESULTS:

The survey asked the responding firms on gross annual receipts, number of employees, amounts of contracts received for three fiscal years, 2009-2010, 2010-2011, and 2011-2012, the number of employees worked on the contracts. The firms were also asked for their product numbers according to North American Industrial Classification Code System (NAICS). The total number of respondents was 277 among whom 137 provided at least one NAICS code. Without the NAICS code we could not classify them according to IMPLAN industry code for our impact analysis. Although they were asked to describe their businesses, the descriptions were usually too vague to be useful. Even among those with NAICS code, only 35 firms in 26 industries stated the contract amounts they received in 2011-2012. However, based on the Office of Small Business information, approximately 350 certified small businesses got the contracts in 2011-2012. Thus the ratio of the sample (35) to the population of awardees (350) is 10%, which is too small. Out of the 277 responding firms, 232 gave their number of employees. These firms employ 2,079 workers in their regular business. So the average number of employees per respondent firm (not necessarily awardee) is 9. Besides the state and local government and private education institutions, the largest employing firm is one that provides waste management and remediation services with 143 workers in 2011-2012. A typical awardee employs between 5 to 6 workers to work on the contracts.

Based on the contract awards of these 35 firms, we obtain the following impact results. Table 5.1 in Appendix 5 shows the overall impact of 35 responding recipient firms in creating 2,360 new jobs in 2009-2010, 2,156 in 2010-2011, and 2,397 in 2011-2012. The total effect of include the direct effect, the indirect effect, and the induced effect. For instance, in 2011-2012, the direct effect on employment is 1,296.5, the indirect, 456.6, and the induced, 643.7, making the total of 2,397 new jobs.

The direct effect, say, of employment is the additional number of employees hired by the award recipients. The indirect effect is additional employees hired by other firms doing business with the recipients (linkage effects). The employees of the recipient firms spend their incomes, pay taxes

and contribute to Federal Social Security fund; all these activities generate further employment; this is the induced effect. The same three types of effects apply to labor income, total value-added, and output. Value-added are the values added to intermediate inputs. They are measured by incomes of factors of production such as labor income, interest, rents, royalty, and profits including proprietors' income. Total Value-Added in the impact summary table is equivalent to extra Gross Regional Product generated by contract award spending. Output is additional gross output (industry gross sales) created by industries containing both value-added and inputs.

Labor income impact of 35 Surveyed Awardees' Contracts is shown in Table 5.2; total value-added impact, in Table 5.3; output impact, in Table 5.4; all are in Appendix 5.

Table 5.5 in Appendix 5 shows the top ten industries with the largest employment generated by the 35 surveyed awardees. Notice that the top three industries 394 *Offices of physicians, dentists, and other health practitioners*, 375 *Environmental and other technical consulting services*, and 374 *Management, scientific, and technical consulting services* employ highly skilled workers. Explanations of these top ten industries can be found in Appendix 6.

. The problem with the survey results is that the awards of the responding sample are only about one-third of the total awards: \$36.3 million in 2009-2010, \$27.3 million in 2010-2011, \$38.0 million in 2011-2012. That is why we need the actual data on the contract awards.

B. ANALYSIS OF IMPACT WITH DATA FROM OSB:

Since the surveyed sample is not representative of the population, the County Office of Small Business gave us information on certified and non-certified businesses which received contract awards in 2011. The data were compiled by a previous financial consultant who used a code different from the NAICS code. Thus we have to use product description to match the NAICS. Then we have to convert NAICS code to the IMPLAN code. The IMPLAN code is restricted to 440 industries, which means we have to group many firms producing diverse products into one industry. The result might be some errors in matching the products produced by the firms to the IMPLAN code.

In the data package for 2011, there were 942 awards given to certified LSBEs with a total of \$100 million and 3,664 awards to non-certified LSBEs with \$4.2 billion. These certified firms are classified into 120 industries using IMPLAN code. Those non-certified firms are grouped into 154 IMPLAN code industries.

Employment impact of \$100 million contract awards to certified LSBEs in 2011 (Table 5.6 in Appendix 5) shows a total of 8,268 new jobs being created, which is divided into 4,930 jobs directly coming from the awardees, 1,291 jobs from firms dealing with the awardees, and 2,046 jobs induced by the expenditures of the employees of awardees.

We want to know if the same \$100 million had been given to non-certified firms, what employment would have been created. Table 5.7 in Appendix 5 shows a surprising result in which a total of 11,169.4 jobs would have been created instead of just 8,268.1-- a 35% increase. While there is not much difference in the indirect and induced effect, the gap in the direct employment effect is huge between the two groups: 4,930 for certified and 7,533 for non-certified --- a 53% jump.

This indicates that the non-certified firms are more efficient in creating jobs than the certified ones. For labor income, total value-added, and output, the rises are less, 9 %, 13% and 3%, respectively. Non-certified firms are simply a better employment generator than the certified ones.

Employment by the certified recipients of \$100 million awards is dominated by consulting services and food services and drinking places (food provided to institutions), Maintenance and repair construction of nonresidential structures, and Management, scientific, and technical consulting services (see Table 5.8, Appendix 5), whereas home health care services (mental health) plays an overwhelming role in providing jobs by the non-certified firms (see Table 5.9, Appendix 5). For explanation of these top ten industries which are relevant to LA County, see Appendix 6.

The non-certified businesses which received \$4.2 billion contract awards bringing forth a total of 439,170 jobs out of which 294,889 come directly from awardees, a 67% direct effect out of the total effect (see Table 5.10, Appendix 5). Since the indirect and induced effects are small, we might infer

that the income leakage out the Los Angeles County is great. This means that the firms doing business with the non-certified firms may be located outside LA County and/or the employees of the non-certified awardees live and spend their income outside LA County.

The employment created by the non-certified LSBEs is 77 times greater than that of certified ones, while their amount of money spent (\$4.2 billion) is only 42 times higher. Another way to compare the efficiency of certified and non-certified enterprises in generating jobs is looking at the number of jobs brought about by each million of dollars awarded. In this respect, 83 jobs were created by the certified firms per \$1 million award, while 105 jobs were formed by the non-certified counterparts for the same amount. This signifies that size has advantage in employment creation.

Again, home health care services sector created the largest employment with 144,700 jobs (see Table 5.11, Appendix 5). Obviously, this sector is dominated by heavily labor-intensive large firms. The average output multiplier of sectors of non-certified recipient firms with at least one million dollar awards is 1.69 while the average multiplier of the certified counterparts is only 1.64 (See Appendix 4, Tables 4.1 and 4.2). Moreover, the average multiplier of the whole non-certified group is 1.62 while that of the certified group is 1.59 (See Appendix 4, Tables 4.3 and 4.4). It is clear that the advantage of the non-certified firms over the certified ones is that they are larger and belonging to industries with higher output multipliers. This fact is relevant when we consider recommendation with respect to the optimum utilization goal later in this chapter.

This information allows us to modify the above conclusion. The certified firms generate less employment simply because they employ a smaller number of technology-intensive, skills-intensive, and specialized workers, while the non-certified firms engage in services that require more unskilled workers. Thus size and multiplier matter but the nature of the product, whether it is simple labor-intensive, or technology-intensive, or skills-intensive, is very important in determining the employment impact.

C. ANALYSIS OF UTILIZATION GOAL LEVELS AND RECOMMENDATIONS FOR OPTIMAL GOALS:

In order to determine which utilization goal level is optimal, we are going to use the social benefit-cost analysis.

Table 5.12 (Appendix 5) shows projected employment based on different utilization goals from 5% to 25% of \$5 billion total budget of procurement. The current amount of awards is \$100 million. The 5% utilization goal will require awards of \$240,652,564.2 and the 25% utilization goal, awards of \$1,237,641,758.8. The figures for the remaining 10%, 15%, and 20% utilization goals are shown on the last row of Table 5.12. The total effect row shows the projected employment for these utilization goals: 8,268.1 for current 2% of \$5 billion, 17,122.6 for 5% goal of this \$5B, 33,135.3 for 10%, 51,435.6 for 15%, 65,160.8 for 20%, and 83,461.0 for 25%. Again, among the total effect, the direct effect takes a lion share from 60% (current 2%) to 73% (25% goal). In fact, the greater the percent goal is, the greater the share of direct effect becomes. This means that larger goal contributes more to direct employment. This fact should be taken into account in the process of selecting the optimal goal when employment is an important criterion.

In this report, we focus on employment by LSBEs as an overriding objective in procurement process. The approach we adopted is the social benefit-cost analysis based on the employment objective. The County's social welfare will be maximized if the marginal social benefit created by extra employment at each utilization goal is equal to marginal social cost at that goal.

Marginal social benefit is computed by additional employment multiplied by its labor compensation (which is the average compensation per person for Los Angeles County in 2011 which is \$52,533.99 based on Table 3 of the Chapter 3, unadjusted for inflation). For instance, the compensation of employees at current 2% is \$434,354,191 ($= 8,268.1 \times \$52,533.99$); that at 5%, \$899,518,497 ($= 17,122.6 \times \$52,533.99$). \$434,354,191 becomes marginal social benefit (MSB) for 2% utilization, \$899,518,497, marginal social benefit for 5% utilization goal. Similar MSB calculations are made for other utilization goals.

Marginal social cost (MSC) consists of the direct cost coming from the awards given to certified recipients and implicit opportunity cost incurred by not giving the awards to the non-certified firms. The implicit opportunity cost is calculated by the compensation of employees generated by

the non-certified at the various utilization goals. They are additional benefits lost due to the awards being given to the certified companies. We could also count the additional cost incurred when the County hires extra staff and invests in new technology to handle additional work load. But we believe this expense is very small compared to the amounts of contract awards. So we excluded them from our calculation.

Table 5.13 in Appendix 5 shows employment that could have been generated by non-certified companies for each utilization goal. From there, we calculate the compensation of employees lost since the awards will be given to certified LSBEs. This is implicit opportunity cost shown in Table 5.14 in Appendix 5. The same procedure is applied to the non-certified firms. The compensation of employees lost for 5% goal is 1,412,087,384 which is 26,879.5 (total effect) multiplied by \$52,533.99. Similarly for other goals.

The marginal social cost (MSC) is the sum of direct cost of the contract awards and the implicit opportunity cost. MSC for the current 2% is \$686,774,011 which is the sum of direct cost of \$100,000,000 and implicit opportunity cost of \$586,774,011. The latter represents the amount of employee compensation lost by the non-certified BEs when the contracts were given to certified ones. Similarly, MSC for 5% goal is \$1,652,739,305 which is the sum of \$240,652,564 (direct cost) and \$1,412,086,741 (implicit opportunity cost). The same procedure is applied to other utilization goals (see Table 5.14 in Appendix 5). The last row of Table 5.14 (row h) shows MSB of all goals based on the projected total employment effect at the compensation per employee of \$52,533.99.

Table 5.15 in Appendix 5 shows the calculation of marginal social cost (MSC), marginal social benefit (MSB), and net marginal social benefits (NMSB). MSC is the sum of direct cost and implicit opportunity cost. We can raise MSB until it is equal to or near equal to MSC at each goal. At that point, microeconomic principles tell us that the County's total welfare will be maximized. At 5% goal, if we multiply the MSB at 2%, i.e. \$434,354,170, by 1.83736 the result is MSB at 5% will be \$1,652,739,215 which is close to MSC of \$1,652,739,305. Similarly, at 10% goal, when the MSB at 2% is multiplied by 1.8989032, MSB at 10% goal will be \$3,305,478,673 which is very close to MSC of \$3,305,478,611. Same rule applied to other goals (see Table 5.15 in Appendix 5).

From MSB level at which the net marginal social benefit (NMSB) is zero or close to zero, we can generate additional total employment and additional direct employment at each utilization goal. Row (c) of Table 5.16 in Appendix 5 shows the additional total employment created for each goal level based on MSB and compensation per employee. Row (e) shows the additional direct employment created for each goal level based on the ratio of direct employment to total employment. Row (f) presents the projected additional direct employment generated by the amount of awards stipulated by each goal. Then we compare the direct employment required to maximize welfare with the amount generated by the awards at each goal level. The result is row (g) which shows the extra employment beyond the natural number created by the awarding amount. For instance, for 5% goal, the direct employment required to maximize welfare is 18,760. But the projected number of direct jobs generated by OSB for spending \$240,652,564 is 18,128. The difference is 632 direct jobs needed to be created beyond what is regularly generated by the goal level. By “direct”, we mean the jobs that are immediately created by the awardees just as in the direct employment effect of the impact analysis.

However, we should compare the welfare-maximizing required employment with the employment at current 2% because we want to use the latter as the base to measure the capability of OSB. At 2%, the direct employment is 4,930. Thus at 5% goal, we need 13,830 new direct jobs from the current level of employment (4,930). Similarly, at 10% we need 37,505 new direct jobs from the current level (see Table 5.16 in Appendix 5).

If we assume that the average number of employees in small businesses is 9, at 5% goal, we divide 13,830 by 9 to obtain 1,537, the number of new firms needed to generate the 13,830 direct jobs required to maximize welfare. In the same way, at 10% goal, 4,167 new firms are needed.

Table 5.17 shows the numbers of new 9-employee LSBEs needed to maximize social welfare for 5%, 6%, 7%, 8%, and 9% goal level. For instance, at 5% goal, 1,537 new firms are needed; at 6%, 2,063; at 7%, 2,589; at 8%, 3,115; and at 9%, 3,641. The County currently has 3,500 state-certified LSBEs which can potentially become County-certified ones. If the County works on these firms, 8% goal may be achieved, although it may take several years.

Based on the above analysis and the County's capability of enlisting 3,500 state-certified firms into the County-certified group, we recommend the following utilization goals:

- The optimal *immediate* utilization goal: 5%.
- The optimal *intermediate* utilization goal: 7%.
- The optimal *long-term* utilization goal: 9%.

The intermediate horizon is from 3 to 5 years, and the long-term horizon is from 8 to 10 years.

By capability we mean the ability to increase the number of certified LSBEs, to give out contract awards to the certified firms in the industries which have higher output multipliers and/or are simple labor-intensive and less skills- or technology-intensive. To raise the number of firms may call for more marketing efforts to encourage small businesses to apply for contracts including streamlining its bidding and application process. It also means helping small businesses raising their technical capability to qualify for contracts. There are 3,500 small businesses which constitute potential candidates for County certification and which can be chosen for awards to raise employment. Thus 5% goal is achievable, while a 10% goal is more difficult, unless you increase the firm size. This explains why it is easier to go with the bigger firms to generate more employment for the same cost. Here firm size does matter. The number of firms required will be less if larger firms are chosen. It might take several years for this goal to be achieved as the process for certification and bidding is revamped for greater ease and efficiency.

There are infinite ways of slicing the number to address both the employment problem and aiding small businesses.

Other recommendations are proposed to enhance the capability of the County to attain the goal of getting more firms to become certified and participate in the bidding process. In this chapter, we are more concerned with the general principles of raising employment to meet the utilization goal level chosen by the County.

Summary of the social cost-benefit analysis leading to recommendations on utilization goals.

The above recommendations are based on the social cost-benefit analysis. Besides the amount of awards as the direct cost, the marginal social cost (MSC) includes the opportunity cost incurred when awards were given to certified firms which could have gone to certified ones. The job loss by the non-certified firms is counted as an implicit opportunity cost. The marginal social benefit (MSB) is the compensation paid to employees hired by the certified firms. By the micro-economic principle, the County's social welfare is maximized if $MSB = MSC$. Once MSC is estimated for each goal level, MSB is identified for that level. Then MSB is converted into number of new jobs created. Using the current 2% of \$5B as the base and benchmark, the additional new jobs are estimated for each goal level to maximize the LA County's social welfare. Assuming that the average number of employee for both certified and non-certified firms is 9, the number of 9-employee LSBEs is identified for each goal. Using the list of 3,500 state-certified firms as the list of potential county-certified ones which might receive contract awards, we arrived at the optimal utilization goals above.

D. DISABLED VETERAN BUSINESS ENTERPRISES (DVBE):

In the survey, there are 8 respondents who identified themselves as DVBE, but only 5 of them gave the NAICS codes. Out of the 8, only two of them obtained contracts with County of which only one gave the NAICS code as 423430 'Data processing machines, computer, merchant wholesalers' which is equivalent to IMPLAN code 390. This firm received a contract of \$1,720,000 in each of last three fiscal years. It employed between 4 and 8 employees, two or three of them worked on the contracts.

The sales of these 8 DVBE in 2011-2012 ranged from \$42,000 to \$11M. They employed between 1 to 160 employees. All of them have less than 10 employees except one with 160 employees.

As to the data set given to us by the County Office of Small Business, the DVBE firms are not identified and all the firms are classified into "certified" and "non-certified" only. Thus, based on the two data sets, there is not much to analyze the impact of DVBE firms and utilization goals.

We have no solid information on the DVBE in the LA County, hence we cannot make any meaningful suggestions with respect to the utilization goals. What we believe is that the cursory data based on the survey indicates that the larger the DVBE, the greater the employment impact which is similar to case of the non-certified vis-à-vis the certified. But since the DVBE firms form a very small proportion of the total number of small business enterprises in the county (less than 3% in the survey), we do not have enough information to make a conclusive analysis. A feasible goal should be set when we have more information.

APPENDIX 1: Cover Letter of Survey:

COUNTY OF LOS ANGELES

To Enrich Lives through Effective and Caring Service

Dear Small Business Owner,

The County of Los Angeles and California State University, Los Angeles are conducting a survey to determine how to best award a portion of the County's \$6 billion spend to certified Small Business Enterprises (SBE) in LA County.

How the survey can benefit SBEs:

1. Streamline the certification process for SBEs. Certified SBEs have an advantage in getting these contracts.
2. Facilitate certified SBEs in getting these contracts.
3. Maximize payouts to certified SBEs.

How the survey can benefit the County:

1. Measure the impact of annual payouts on the County's economy.
2. Improve the services to the small business community.

Below is the link to the survey:

<http://www.esurveyspro.com/Survey.aspx?id=99c22163-67d4-4601-8c18-eb3b64d66e46>

Your feedback and contribution is critical to how the County can best serve Small Business Owners in our community. The survey is managed by Debbie Cabreira-Johnson and Professor Dang Tran. If you have questions, please contact Debbie Cabreira-Johnson at osb@isd.lacounty.gov.

Thank you for your time and attention.

Debbie Cabreira-Johnson
County of Los Angeles

Professor Dang Tran
California State University, Los Angeles

APPENDIX 2: Survey Questionnaire:

12/17/13

LA County SBE Survey 2013 ver Sep - Survey powered by eSurveysPro.com



LA County SBE Survey 2013 ver Sep

1. Please Enter Your Title/Position at Company

2. Please enter the email LA County used to send this survey to you.

3. Are you a registered vendor with LA County?

- ☐ Yes
☐ No

4. What are the gross annual receipts of your business for 2011-2012, 2010-2011, 2009-2010 in USD? Please enter numbers only, no \$ or commas.
Eg. 2000000 for \$2M

2011-2012	<input type="text"/>
2010-2011	<input type="text"/>
2009-2010	<input type="text"/>

5. What is the approximate number of employees in your business for 2011-2012, 2010-2011, 2009-2010?

2011-2012	<input type="text"/>
2010-2011	<input type="text"/>
2009-2010	<input type="text"/>

6. Are you a Small Business (SB) as defined by the State of California (ie. <\$14M Annual Sales and < 100 employees)?

- ☐ Yes
☐ No

7. Are you certified as SBE with the State?

- ☐ Yes
☐ No

8. Are you registered (and self certified) as a Small Business on the Federal System for Award Management (SAM) data base?

- ☐ Yes
☐ No
☐ Not Applicable

9. Are you a Disabled Veteran Business Enterprise (DVBE) as defined by the State of California?

- ☐ Yes

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☐ No

10. Is your principal office located within the County of Los Angeles for at least the previous 12 months?

☐ Yes

☐ No

11. What 6-digit [NAICS \(North American Industry Classification System Codes\)](#) code does your business belong to? (eg: 337125, 561720, 624120)

12. What [NAICS US Industry Title](#) does your business belong to? (Eg: Manufacturing, Furniture, Janitorial Services etc)

13. What 6-digit [NAICS \(North American Industry Classification System Codes\)](#) code does your County Contracts for the last three years belong to? Enter as many 6-digit codes as possible, separated by commas (Eg: 337125, 561720, 624120)

2011-2012	<input type="text"/>
2010-2011	<input type="text"/>
2009-2010	<input type="text"/>

14. What is the amount of your contracts with the government for 2011-2012, 2010-2011, 2009-2010? Please enter numbers only, no \$ or commas. Eg: 2000000 for \$2M

2011-2012	<input type="text"/>
2010-2011	<input type="text"/>
2009-2010	<input type="text"/>

15. What is the number of your employees who had worked on the county contracts for 2011-2012, 2010-2011, 2009-2010?

2011-2012	<input type="text"/>
2010-2011	<input type="text"/>
2009-2010	<input type="text"/>

16. Did you try to obtain a contract as a?

☐ Main Contractor

☐ Sub-Contractor

17. Do you have a sub-contractor?

☐ Yes

☐ No

18. If yes to question 16, what is the amount of money you paid to your sub-contractor(s) for your county contracts for 2011-2012, 2010-2011, 2009-2010?

	(\$0-~\$50K)	(\$50K - ~\$100K)	(\$100K - ~\$250K)	(\$250K - ~\$500K)	(\$500K - ~\$1M)	(\$1M - \$2M)	>\$2M
2011-2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2010-2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2009-2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. If yes to question 16, what is the number of sub-contractors' employees who had worked on your sub-contracts?

	(1-~10)	(10-~40)	(50-~75)	(75 - 100)	>100	Do Not Know
2011-2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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2010-2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2009-2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. If yes to question 16, how often does your company use a sub-contractor?

	(0-<5%)	(5%-<10%)	(10%-<25%)	(25%-<50%)	(50%-75%)	>75%
2011-2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2010-2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2009-2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

21. If yes in question 16, is this sub-contractor a Small Business as defined by the State?

- ☐ Yes
☐ No
☐ Don't Know
☐ Not Applicable

22. Do you include sub-contractor expenses in your request to the County?

- ☐ Yes
☐ No
☐ Not Applicable

23. Do you currently do business with any government entity?

- ☐ Yes
☐ No

24. If Yes to previous Question, please check all that apply:-

- ☐ Federal
☐ State
☐ County
☐ Local
☐ Other (Please Specify)

25. Are you certified by any government agency as a small business? Please check all that apply

- ☐ Federal
☐ State
☐ County
☐ Local
☐ Not certified by any entity
☐ Other (Please Specify)

26. Are you aware that the County has a small business preference program? This program allows for a 8% cost preference to businesses certified with the County as a Local Small Business Enterprise.

- ☐ Yes
☐ No but now I am more motivated to get certified
☐ No and I am still not motivated to get certified

27. What is the reason for not getting certified by the County? Please check all that apply

- ☐ Have not gotten to it yet but will do so this year
☐ More profitable in the private sector
☐ Not enough contracts/money procured by the County in my field
☐ Not enough knowledge to identify contracts
☐ Not enough knowledge to submit bids
☐ Not enough knowledge to know how bids are awarded

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☐ County contracting process is too complicated and lengthy

☐ Other (Please Specify)

28. Have you ever responded to a solicitation or bid with LA County?

☐ Yes

☐ No

29. If Yes to previous question, please check all that apply

☐ Was successful and plan to continue to seek County contracts

☐ Was successful and will not continue to seek County contracts

☐ Was not successful and plan to continue to seek County contracts

☐ Was not successful and will not continue to seek County contracts

30. If your answer to question 29 is "Was not successful and plan to continue to seek County contracts", please check all that apply:

☐ Low Pricing

☐ Long Lead Time Required

☐ Insufficient Capability

☐ Slow Payment

☐ Insurance

☐ Other (Please Specify)

31. If No to Q28, what are the reasons for not trying to get a contract with LA County? Please check all that apply

☐ Was not aware of the opportunities

☐ Not enough opportunities to be profitable

☐ Too much time and paperwork involved

☐ Too many regulations

☐ Low Pricing

☐ Long Lead Time

☐ Insufficient Capability

☐ Insurance

☐ Slow Payment

☐ Have not gotten to it

☐ Other (Please Specify)

32. The LA County purchases \$6 Billion a year in goods and services. If you are currently not doing business with LA County, please check all that apply.

☐ Yes, I am motivated and would like more information and assistance

☐ Yes, I am motivated but would not like more information and assistance

☐ No, I am not interested but would like more information and assistance

☐ No, I am not interested and would not like more information and assistance

33. What would you suggest as the most effective way to let the small business community know about the County's Small Business Program?

☐ Radio

☐ Newspapers

☐ TV

☐ Mailings

☐ Workshops

☐ Through business associations like Chamber of Commerce, Economic Development Organizations etc.

☐ Email

☐ Other (Please Specify)

34. Please provide any other additional comments you may have:-

Comments

Exit

Finished



Created with eSurveysPro.com Survey Software.

APPENDIX 3: Aggregated Survey Comments from Question 34:

Complaints:-

- It's not fair, to use carpet company that won't sell to small business, like Mohawk. Why get 5 bids on a 1000 job. The county is not fair, and hard to get in to get any work.
- I would love to get more chances to bid federal or county's projects, but it's expensive to pay all these companies for their web search on these projects
- The County Enrolls Far Too Many Vendors to A Specific Contract and Therefore Reduces the Gross Profit To The Vendor.
- Too much paperwork and too many hoops to jump through; I don't understand why you need my income. I did government projects from 2001-2007 but ultimately gave up due to paperwork, red tape unqualified inspectors and construction manager on the government side.....
- As a sub contractor I'am not eligible Lic C12. I used to work for LA but they don't work me anymore.
- GJA is a small firm, historically low bid contracts have been out of our reach
- Very difficult to compete with other suppliers
- We registered with all agencies and have heard absolutely NOTHING? Anyone out there reading this may contact us to verify this.
- I have had a contract with the County (MA-IS-1340073-1) since 12/05/12. I have been called once. That was two weeks ago. They needed a backhoe. I have a Case 580 Super K Extendahoe 60 HP with a 14 foot reach. Then I was told they were looking for more of a John Deere 410. 65 HP and 15f t2 in reach. I can't help but think the call was to humor me and the machine that went on the job was someone the superintendent wanted specifically.
- I've don't know how to receive county bids.
- Your bid packages are inordinately long -- the last one we submitted was 77 pages+. Too much information is required at bid time. You might want to get some specific input from general contractors. Much of the additional information you require could be submitted 24 hours after bid time, thereby streamlining the process and helping to eliminate errors or omissions.
- When you do marketing and pr, it is more difficult to get contracts because people are proprietary with the marketing dollars and want to go with a company that they know. It is has been difficult for us to get a county contract.
- The process is very confusing and complicated.
- 8% cost preference is not enough when competing against out of state manufacturers
- There seems to be a LOT of politics in the procurement process, especially bids.
- No one can go to these workshops every week and run a small business. The time away from the office, parking fees and the amount of literature mandatory makes it impossible for a small business to keep up.
- county awards too few and far between
- We are on a contract with LA County to provide IT Consultants. However the process is rather difficult for small companies like ours to get through.
- too much paperwork for too little money.

- Applying for certifications is time consuming for a small business. The people requesting certification do not realize the hardship this places on a small business.
- LA county is NOT interested in providing opportunities to Small Businesses!!!!!!!!!!!! Just a lot of hot air... no REAL result.
- Your years of experience requirements are often too strict for small businesses.
- I would like to participate more as a General Contractor on the county Bids, but Bonding seems to be a large problem, because of non-relevant credit issues!
- County office of education, Sherriff's Dept, post bid opportunities for education materials, staff training, et al.
- Based on my participation in a bid it seems that I will never be able to win one. It seems to me that the same agencies win the bids and that bids are awarded to big agencies only. People like me have no chance to grow a business based on government contracts.
- It takes money to get certified, to get licensed, too much red tape.
- Why is the certification process so complicated? Why can't you just get the prior years' tax records, and that's it!
- The MTA process for certifying MBE demands that the business owner be a citizen of the US: those who have green cards are not allowed to use the MTA's certification system.
- Usually the jobs for LA County are too big for a company our size.
- I was certified with my previous business and let things go after we moved five years ago. I have gone to many pre-bid meetings and when I reviewed the contract decided not to pitch even though I have 30 years of experience. Would rather be a sub and let the main take the heat. I think the county really needs to look at the indemnification clause which means my tiny business has to indemnify the county's billion dollar business. It is ridiculous and I am not alone. LA Business journal did a story on this recently
- It takes me 4-6 hours to do the paperwork required for bids - even for renewals. Can't the information be retained?
- Most projects in Construction related field required bonding, and it is extremely difficult to get. This is a "DOOR CLOSER" for small businesses. Most bond assistant programs are there to LOOK GOOD, but they never do anything for us.
- I have bidden on DGS contracts, they are always awarded to the contractor, not minority.
- It seems like the government always pick the lowest bidder regardless of quality of work
- Cost to comply with County bidding and contract requirements out of proportion to potential income.
- The bond requirements have always been out of reach
- I did do some business with the county until a gal took an order away from me and gave it to her favorite supplier, then I lost interest. This happened 10 years ago or so.
- The County of Los Angeles should make the guidance, bidding and RFP process easier and should provide far more support to small local businesses.
- I have written several memos specific to re-structuring the bid and/or other product offerings process so that like-small businesses can compete and earn a part of the \$6 billion. Presently, I do not stand a chance as proven over the last 20 years with less than \$1,000 in profit.
- The County is great to work with, However duplicated request from the SB group are a pain.
- I have filled out the ITSSMA, but have received no notification of open bids. Spent a tremendous amount of time that now seems wasted

Suggestions:-

- Bid packets have a lot of requirement that should be waved for small business
- It would be helpful if the County put out a look ahead for consultant RFPs similar to how Metro does.
- There should be a team/program specifically to help small businesses win bids
- My business is freight transportation (Freightways, Palmdale, CA). I have done business with the State of California and I have also provided freight transportation services for the County “once” this year - I brought 4 full truckloads of materials from Sacramento to Santa Fe Springs / County Emergency Preparedness Facility - with a timely and flawless execution of services. Nevertheless, after years of being a registered SBE with the County, I see virtually no opportunities available in the area of freight transportation. The County purchases 6 billion dollars a year in goods and services, but my company has had no participation in it. I am eager to provide the County with my services, and would welcome every opportunity to do so. Besides, I would love to see the revenue stay right here instead of going to the major freight carriers based outside of California.
- We are a community health center and would like more information about becoming a HWLA and PPP provider.
- The county portal (Webven) is not very friendly portal to search bids. I think County can make it more user friendly like LABAVN. We are not motivated to search bids on Webven as it is a cumbersome process. Please address this issue ASAP,
- Equal opportunity to sub contract with large firm, the mentor protégé program.
- Hope there are ways to unify certification not only statewide, but nationwide. Small business cannot afford spending too much time on certification preparations.
- County should assign contracts that are assigned 100% to small businesses. So giant companies would not take away the opportunities from small businesses. Just exactly how Federal government contracts are setup. That 5% advantage is really not working at all.
- LA County should consider 1.5% more preference for local business since we pay 1.5% business tax of our sales to county.
- User friendly system and results on bidding would be encouraging.
- Because I am the owner of the business, morning meetings and workshops are very difficult to attend, and I do not know if I am working on a day until 5:00 the previous day. Since people rarely pump concrete in the afternoon, it would be much easier to attend meetings, workshops, or conferences if they were scheduled in the afternoon.
- This \$6 Billion a year in goods and services needs to be broken down into smaller portions for award to small businesses. Once the County goes through the Primes, most small businesses are blocked out of the process and only the friends of those primes receive opportunities. The disbursement of contract awards to small businesses should be done on a more fair and equitable basis. Let only small businesses compete for these contract opportunities, not primes. The Count needs to hold focus groups with small businesses in order to receive our honest feedback.
- Do not change the scope of requested work or add different additional work to a bid after submission process has begun. New or additional work should be new different bid. Small business does not have the staff and resources to keep submitting new bids as additional different work is constantly added over a period of six months. Last contract we bid on was open for bid over a year. There are too many variables to keep bids open this long.

- I would like someone to walk me through the process of being certified and help with my first contact bid.
- Cash flow is critical for small business having shorter than 30 day pay cycle is important.
- I am not sure if we are too small to be an effective contractor and would like to talk to someone.
- A Mentor from the County would be extremely helpful to assist with the process in securing contracts. The classes are great, but it's difficult to get to the right contacts for my staffing firm.
- As a new nurse registry/staffing agency, the county requires 5 years' experience before being considered for contract. This is a long time which can lead the new business to fold before the 5 years comes. If the contract can be awarded in the first year of business, it will help the new business to succeed.
- The Design-Build delivery method of delivery eliminates many small businesses, recommended (Design Bid, Build). Provide more contracts for Small Business as Primes.
- County needs to protect small business that participate in large projects and put in processes in place to help the small business succeed. They cannot be treated like a big business with respect to cash flow and risk allocation.
- Can you separate DVBE from SBE and DBE Large contractors already have SBE and DBE Partners.
- The county should be more attentive to small businesses during the bidding process. Be aware that small businesses can do an outstanding job as well as a large company, if we get the opportunity to perform on the project like the large companies.
- Provide online training workshops.
- why can't bidding be done online like LADWP?
- To get bonded on a larger job is almost impossible or complicated process. To get a loan as a small business contractor, it's not made easy. Also when business is slow that does not work well on cash flow and history thus more difficult for loan approval. There needs to be a streamline for obtaining loans and for being paid in a timely manner to be a motivation. I do not think it is a good practice to always look for lowest responsible bidder(of course the bid should be reasonable using an engineer's estimate),however checking license # and history any complaints, just like homeowners when they choose a contractor, lower does not mean better. A larger company may be able to always charge lower because of their volume of work, with a small business you cannot go as low in order to make profit to invest in the next project .Having an organized county website for vendors/contractors, an example I go to your website, type in the word electrical contractor Pasadena, my company name comes up along with other contractors who have registered, gives my company license # phone number and work that can be performed. I type in the word plumber Los Angeles and a list of certified qualified plumbers names come up who I can use as a sub or paving contractor etc. The Community Development Commission, I bid many times on homes, only realizing you have to be abatement certified, also you need to have a General Contractor's license, how many opportunities were missed on this and still being missed , you have the opportunity for electrical bids, abatement bids and general contractor bids separately, not just one or few companies monopolizing because of the licenses they have. Those are my comments Thanks
- Make it much more streamlined to apply and be certified. Small businesses are stretched thin. We do excellent work; have lot of awards and could do great things in the public sector. After 22 years in business, however, seems like it has to be a complete specialization to do

work with public entities. And usually only large companies get it, and they hire DVBE or MBE to achieve quotas. As a WBE, there isn't much consideration -- which is fine -- as long as the playing field is level. it's not. Truly appreciate you reaching out however. Hope for a brighter (more streamlined!) future!

Interest:-

- Would be interested in finding out about this program.
- Need health care service contract.
- Thank you for helping the little guy.
- Only have tried through LA DWP.
- I am excited about this and hoping to land contracts soon.
- I look forward to getting work with LA County, not just Metro & Expo, and helping the County to save money and streamline its projects, as well as allowing the County to help me grow my firm and employ more quality people. I know the best people, a lot want to work for me. I just need the opportunities. I have been shut out by big firms who have even taken people off my letterhead and given to their crony firms. I look forward to some fair playing field opportunities.
- County has been a good customer of mine. I started with \$0 in 2010, and I sell about \$500K/yr in revenues annually.
- I am motivated and ready.
- Looking forward to working with the County. Need to learn more about Certification.
- Very interested, and looking forward to making bids.
- I would like to get contract.
- We are always seeking ways for new business. Thank you.
- Looking forward to hearing for you about future opportunities.
- I want to grow my business with the County of Los Angeles.
- Our firm is not giving up and hopefully we can work with the City one day.
- Serrato Corporation is very interested in working with the L.A. County.
- Often I Bid as a Subcontractor to Other Primes, and I am bidding as LOW as I possibly can and still survive. Private Sector is extremely slow, so I do need County Business. . To date have only received 1 10,000 contract that starts next week
- would like more business
- Please send me information regarding local small business enterprise program. In the mean time I will do some research myself.

APPENDIX 4: Output Multipliers of Certified and Non-certified Awardees:

Table 4.1 Average output multiplier of industries of certified firms with awards greater than or equal to \$1 million

Sector	Certified Awardees	Output Multipliers
375	8,945,378.07	1.88
39	8,879,460.46	1.72
374	7,821,232.34	1.89
236	4,728,902.96	1.54
116	4,598,229.21	1.31
413	4,158,865.81	1.66
113	3,555,266.05	1.62
396	3,085,700.07	1.62
389	2,106,568.90	1.65
416	1,786,435.02	1.63
373	1,531,561.25	1.64
390	1,363,878.85	1.73
261	1,202,648.22	1.45
90	1,091,207.91	1.74
313	1,081,234.58	1.47
Average =		1.64

Table 4.2 Average output multiplier of industries of non-certified firms with awards greater than or equal to \$1 million

Sector	Non-certified awardees	Output Multipliers
395	\$62,617,663.43	1.79
389	\$24,332,848.30	1.65
396	\$19,389,553.14	1.62
385	\$18,610,952.29	1.63
393	\$9,887,530.60	1.81
374	\$7,891,811.12	1.89
133	\$7,209,847.09	1.50
431	\$6,383,832.53	1.34
380	\$5,293,344.43	1.47
39	\$4,416,721.09	1.72
306	\$4,342,018.17	1.54
376	\$3,814,553.61	1.85
345	\$3,335,307.96	1.75
351	\$3,331,184.08	1.74

386	\$2,976,952.84	1.91
371	\$2,974,157.14	1.89
387	\$2,751,039.45	1.85
382	\$2,635,720.94	1.77
398	\$2,412,710.48	1.78
365	\$2,176,529.45	1.81
317	\$2,171,211.40	1.52
388	\$2,127,036.20	1.70
118	\$2,050,266.94	1.32
413	\$1,988,754.55	1.66
416	\$1,973,135.07	1.63
417	\$1,889,169.33	1.65
406	\$1,880,666.67	1.68
367	\$1,581,989.41	1.61
358	\$1,507,681.38	1.92
32	\$1,460,334.04	1.27
400	\$1,378,166.79	1.89
401	\$1,342,630.55	1.93
427	\$1,308,914.86	1.86
399	\$1,239,569.08	1.81
419	\$1,086,043.00	1.83
116	\$1,067,445.90	1.31
134	\$1,061,600.62	1.84
113	\$1,041,272.48	1.62
Average =		1.69

Table 4.3 Output Multipliers of Industries of Certified LSBEs

Industry Code	Description	Direct Effects	Indirect Effects	Induced Effects	Total
19	Support activities for agriculture and forestry	1.00	0.05	0.71	1.76
31	Electric power generation, transmission, and distribution	1.00	0.20	0.17	1.37
33	Water, sewage and other treatment and delivery systems	1.00	0.38	0.33	1.71
34	Construction of new nonresidential commercial and health care structures	1.00	0.23	0.47	1.69
39	Maintenance and repair construction of nonresidential structures	1.00	0.23	0.49	1.72
80	Textile and fabric finishing mills	1.00	0.32	0.22	1.54
82	Carpet and rug mills	1.00	0.09	0.14	1.24
83	Curtain and linen mills	1.00	0.20	0.23	1.42
84	Textile bag and canvas mills	1.00	0.26	0.30	1.57
86	Apparel knitting mills	1.00	0.27	0.29	1.56
90	Other cut and sew apparel manufacturing	1.00	0.28	0.46	1.74
94	Other leather and allied product manufacturing	1.00	0.36	0.36	1.72
105	Paper mills	1.00	0.31	0.15	1.46

113	Printing	1.00	0.31	0.31	1.62
114	Support activities for printing	1.00	0.41	0.40	1.81
116	Asphalt paving mixture and block manufacturing	1.00	0.20	0.11	1.31
117	Asphalt shingle and coating materials manufacturing	1.00	0.17	0.11	1.27
118	Petroleum lubricating oil and grease manufacturing	1.00	0.22	0.10	1.32
121	Industrial gas manufacturing	1.00	0.35	0.18	1.53
126	Other basic organic chemical manufacturing	1.00	0.34	0.10	1.43
127	Plastics material and resin manufacturing	1.00	0.29	0.10	1.38
130	Fertilizer manufacturing	1.00	0.41	0.13	1.53
131	Pesticide and other agricultural chemical manufacturing	1.00	0.31	0.14	1.44
136	Paint and coating manufacturing	1.00	0.27	0.14	1.41
138	Soap and cleaning compound manufacturing	1.00	0.32	0.13	1.45
144	Plastics pipe and pipe fitting manufacturing	1.00	0.12	0.11	1.23
148	Plastics bottle manufacturing	1.00	0.14	0.12	1.26
151	Rubber and plastics hoses and belting manufacturing	1.00	0.19	0.22	1.41
154	Brick, tile, and other structural clay product manufacturing	1.00	0.35	0.24	1.60
159	Glass product manufacturing made of purchased glass	1.00	0.36	0.25	1.61
163	Other concrete product manufacturing	1.00	0.31	0.31	1.62
165	Abrasive product manufacturing	1.00	0.40	0.20	1.60
184	Cutlery, utensil, pot, and pan manufacturing	1.00	0.27	0.20	1.47
190	Metal can, box, and other metal container (light gauge) manufacturing	1.00	0.26	0.17	1.43
192	Arms, ordnance, and accessories manufacturing	1.00	0.25	0.27	1.51
193	Hardware manufacturing	1.00	0.30	0.24	1.54
194	Spring and wire product manufacturing	1.00	0.30	0.24	1.55
195	Machine shops	1.00	0.32	0.39	1.71
196	Turned product and screw, nut, and bolt manufacturing	1.00	0.27	0.31	1.58
197	Coating, engraving, heat treating and allied activities	1.00	0.31	0.26	1.57
199	Plumbing fixture fitting and trim manufacturing	1.00	0.33	0.20	1.53
201	Fabricated pipe and pipe fitting manufacturing	1.00	0.27	0.26	1.53
202	Other fabricated metal manufacturing	1.00	0.25	0.26	1.51
204	Lawn and garden equipment manufacturing	1.00	0.26	0.14	1.40
205	Construction machinery manufacturing	1.00	0.27	0.15	1.41
206	Mining and oil and gas field machinery manufacturing	1.00	0.29	0.23	1.52
207	Other industrial machinery manufacturing	1.00	0.31	0.28	1.58
211	Optical instrument and lens manufacturing	1.00	0.30	0.40	1.70
212	Photographic and photocopying equipment manufacturing	1.00	0.18	0.24	1.42
216	Air conditioning, refrigeration, and warm air heating equipment manufacturing	1.00	0.22	0.29	1.51
218	Metal cutting and forming machine tool manufacturing	1.00	0.32	0.36	1.68
226	Pump and pumping equipment manufacturing	1.00	0.27	0.29	1.55
227	Air and gas compressor manufacturing	1.00	0.37	0.25	1.61
228	Material handling equipment manufacturing	1.00	0.29	0.20	1.49
229	Power-driven handtool manufacturing	1.00	0.26	0.17	1.43
230	Other general purpose machinery manufacturing	1.00	0.29	0.31	1.60
234	Electronic computer manufacturing	1.00	0.17	0.08	1.25
236	Computer terminals and other computer peripheral equipment manufacturing	1.00	0.32	0.23	1.54
240	Audio and video equipment manufacturing	1.00	0.29	0.22	1.51
247	Other electronic component manufacturing	1.00	0.35	0.29	1.64
254	Analytical laboratory instrument manufacturing	1.00	0.36	0.27	1.64

256	Watch, clock, and other measuring and controlling device manufacturing	1.00	0.37	0.29	1.66
261	Small electrical appliance manufacturing	1.00	0.25	0.20	1.45
265	Other major household appliance manufacturing	1.00	0.29	0.14	1.43
273	Wiring device manufacturing	1.00	0.21	0.26	1.48
283	Motor vehicle parts manufacturing	1.00	0.41	0.00	1.42
286	Other aircraft parts and auxiliary equipment manufacturing	1.00	0.37	0.30	1.66
291	Boat building	1.00	0.35	0.21	1.56
296	Upholstered household furniture manufacturing	1.00	0.23	0.27	1.50
298	Metal and other household furniture (except wood) manufacturing	1.00	0.24	0.32	1.56
299	Institutional furniture manufacturing	1.00	0.28	0.23	1.50
301	Office furniture and custom architectural woodwork and millwork manufacturing	1.00	0.23	0.46	1.69
303	Mattress manufacturing	1.00	0.31	0.23	1.53
304	Blind and shade manufacturing	1.00	0.31	0.35	1.66
305	Surgical and medical instrument, laboratory and medical instrument manufacturing	1.00	0.26	0.34	1.60
306	Surgical appliance and supplies manufacturing	1.00	0.23	0.30	1.54
311	Sporting and athletic goods manufacturing	1.00	0.28	0.28	1.56
313	Office supplies (except paper) manufacturing	1.00	0.21	0.26	1.47
314	Sign manufacturing	1.00	0.32	0.44	1.76
317	All other miscellaneous manufacturing	1.00	0.23	0.30	1.52
318	Broom, brush, and mop manufacturing	1.00	0.27	0.28	1.55
335	Transport by truck	1.00	0.41	0.40	1.81
339	Couriers and messengers	1.00	0.28	0.27	1.56
340	Warehousing and storage	1.00	0.26	0.48	1.74
344	Directory, mailing list, and other publishers	1.00	0.50	0.30	1.79
345	Software publishers	1.00	0.44	0.31	1.75
351	Telecommunications	1.00	0.50	0.24	1.74
352	Data processing, hosting, ISP, web search portals and related services	1.00	0.29	0.25	1.54
362	Automotive equipment rental and leasing	1.00	0.39	0.35	1.74
365	Commercial and industrial machinery and equipment rental and leasing	1.00	0.41	0.40	1.81
367	Legal services	1.00	0.15	0.46	1.61
369	Architectural, engineering, and related services	1.00	0.30	0.60	1.89
371	Custom computer programming services	1.00	0.35	0.54	1.89
372	Computer systems design services	1.00	0.30	0.80	2.09
373	Other computer related services, including facilities management	1.00	0.18	0.46	1.64
374	Management, scientific, and technical consulting services	1.00	0.31	0.58	1.89
375	Environmental and other technical consulting services	1.00	0.31	0.57	1.88
376	Scientific research and development services	1.00	0.34	0.51	1.85
377	Advertising and related services	1.00	0.24	0.41	1.65
380	All other miscellaneous professional, scientific, and technical services	1.00	0.20	0.27	1.47
382	Employment services	1.00	0.18	0.59	1.77
385	Facilities support services	1.00	0.35	0.28	1.63
386	Business support services	1.00	0.35	0.56	1.91
387	Investigation and security services	1.00	0.30	0.55	1.85
388	Services to buildings and dwellings	1.00	0.28	0.41	1.70

389	Other support services	1.00	0.29	0.36	1.65
390	Waste management and remediation services	1.00	0.39	0.33	1.73
393	Other private educational services	1.00	0.34	0.47	1.81
395	Home health care services	1.00	0.22	0.57	1.79
	Medical and diagnostic labs and outpatient and other				
396	ambulatory care services	1.00	0.22	0.40	1.62
413	Food services and drinking places	1.00	0.29	0.38	1.66
414	Automotive repair and maintenance, except car washes	1.00	0.21	0.47	1.68
416	Electronic and precision equipment repair and maintenance	1.00	0.15	0.48	1.63
	Commercial and industrial machinery and equipment repair				
417	and maintenance	1.00	0.14	0.51	1.65
422	Other personal services	1.00	0.41	0.51	1.92
427	US Postal Service	1.00	0.17	0.69	1.86
431	State and local government electric utilities	1.00	0.07	0.27	1.34

Table 4.4 Output Multipliers of Industries of Non-Certified Firms

Industry Code	Description	Direct Effects	Indirect Effects	Induced Effects	Total
6	Greenhouse, nursery, and floriculture production	1.00	0.12	0.55	1.67
14	Animal production, except cattle and poultry and eggs	1.00	0.17	0.24	1.41
19	Support activities for agriculture and forestry	1.00	0.05	0.71	1.76
31	Electric power generation, transmission, and distribution	1.00	0.20	0.17	1.37
32	Natural gas distribution	1.00	0.14	0.14	1.27
33	Water, sewage and other treatment and delivery systems	1.00	0.38	0.33	1.71
34	Construction of new nonresidential commercial and health care structures	1.00	0.23	0.47	1.69
36	Construction of other new nonresidential structures	1.00	0.27	0.47	1.74
39	Maintenance and repair construction of nonresidential structures	1.00	0.23	0.49	1.72
80	Textile and fabric finishing mills	1.00	0.32	0.22	1.54
82	Carpet and rug mills	1.00	0.09	0.14	1.24
83	Curtain and linen mills	1.00	0.20	0.23	1.42
84	Textile bag and canvas mills	1.00	0.26	0.30	1.57
86	Apparel knitting mills	1.00	0.27	0.29	1.56
90	Other cut and sew apparel manufacturing	1.00	0.28	0.46	1.74
94	Other leather and allied product manufacturing	1.00	0.36	0.36	1.72
99	Wood windows and doors and millwork manufacturing	1.00	0.30	0.25	1.54
105	Paper mills	1.00	0.31	0.15	1.46
110	Stationery product manufacturing	1.00	0.28	0.22	1.50
111	Sanitary paper product manufacturing	1.00	0.19	0.13	1.32
113	Printing	1.00	0.31	0.31	1.62
114	Support activities for printing	1.00	0.41	0.40	1.81
116	Asphalt paving mixture and block manufacturing	1.00	0.20	0.11	1.31
117	Asphalt shingle and coating materials manufacturing	1.00	0.17	0.11	1.27
118	Petroleum lubricating oil and grease manufacturing	1.00	0.22	0.10	1.32
121	Industrial gas manufacturing	1.00	0.35	0.18	1.53

126	Other basic organic chemical manufacturing	1.00	0.34	0.10	1.43
127	Plastics material and resin manufacturing	1.00	0.29	0.10	1.38
130	Fertilizer manufacturing	1.00	0.41	0.13	1.53
131	Pesticide and other agricultural chemical manufacturing	1.00	0.31	0.14	1.44
133	Pharmaceutical preparation manufacturing	1.00	0.32	0.18	1.50
134	In-vitro diagnostic substance manufacturing	1.00	0.52	0.32	1.84
136	Paint and coating manufacturing	1.00	0.27	0.14	1.41
138	Soap and cleaning compound manufacturing	1.00	0.32	0.13	1.45
144	Plastics pipe and pipe fitting manufacturing	1.00	0.12	0.11	1.23
148	Plastics bottle manufacturing	1.00	0.14	0.12	1.26
150	Tire manufacturing	1.00	0.23	0.20	1.43
151	Rubber and plastics hoses and belting manufacturing	1.00	0.19	0.22	1.41
154	Brick, tile, and other structural clay product manufacturing	1.00	0.35	0.24	1.60
159	Glass product manufacturing made of purchased glass	1.00	0.36	0.25	1.61
163	Other concrete product manufacturing	1.00	0.31	0.31	1.62
165	Abrasive product manufacturing	1.00	0.40	0.20	1.60
184	Cutlery, utensil, pot, and pan manufacturing	1.00	0.27	0.20	1.47
190	Metal can, box, and other metal container (light gauge) manufacturing	1.00	0.26	0.17	1.43
192	Arms, ordnance, and accessories manufacturing	1.00	0.25	0.27	1.51
193	Hardware manufacturing	1.00	0.30	0.24	1.54
194	Spring and wire product manufacturing	1.00	0.30	0.24	1.55
195	Machine shops	1.00	0.32	0.39	1.71
196	Turned product and screw, nut, and bolt manufacturing	1.00	0.27	0.31	1.58
197	Coating, engraving, heat treating and allied activities	1.00	0.31	0.26	1.57
198	Valve and fittings other than plumbing manufacturing	1.00	0.29	0.20	1.49
199	Plumbing fixture fitting and trim manufacturing	1.00	0.33	0.20	1.53
200	Ball and roller bearing manufacturing	1.00	0.30	0.24	1.54
201	Fabricated pipe and pipe fitting manufacturing	1.00	0.27	0.26	1.53
202	Other fabricated metal manufacturing	1.00	0.25	0.26	1.51
204	Lawn and garden equipment manufacturing	1.00	0.26	0.14	1.40
205	Construction machinery manufacturing	1.00	0.27	0.15	1.41
206	Mining and oil and gas field machinery manufacturing	1.00	0.29	0.23	1.52
207	Other industrial machinery manufacturing	1.00	0.31	0.28	1.58
210	Vending, commercial, industrial, and office machinery manufacturing	1.00	0.36	0.31	1.67
211	Optical instrument and lens manufacturing	1.00	0.30	0.40	1.70
212	Photographic and photocopying equipment manufacturing	1.00	0.18	0.24	1.42
216	Air conditioning, refrigeration, and warm air heating equipment manufacturing	1.00	0.22	0.29	1.51
218	Metal cutting and forming machine tool manufacturing	1.00	0.32	0.36	1.68
226	Pump and pumping equipment manufacturing	1.00	0.27	0.29	1.55
227	Air and gas compressor manufacturing	1.00	0.37	0.25	1.61
228	Material handling equipment manufacturing	1.00	0.29	0.20	1.49

229	Power-driven handtool manufacturing	1.00	0.26	0.17	1.43
230	Other general purpose machinery manufacturing	1.00	0.29	0.31	1.60
234	Electronic computer manufacturing	1.00	0.17	0.08	1.25
235	Computer storage device manufacturing	1.00	0.30	0.14	1.44
236	Computer terminals and other computer peripheral equipment manufacturing	1.00	0.32	0.23	1.54
237	Telephone apparatus manufacturing	1.00	0.20	0.21	1.42
239	Other communications equipment manufacturing	1.00	0.30	0.27	1.57
240	Audio and video equipment manufacturing	1.00	0.29	0.22	1.51
247	Other electronic component manufacturing	1.00	0.35	0.29	1.64
254	Analytical laboratory instrument manufacturing	1.00	0.36	0.27	1.64
256	Watch, clock, and other measuring and controlling device manufacturing	1.00	0.37	0.29	1.66
261	Small electrical appliance manufacturing	1.00	0.25	0.20	1.45
265	Other major household appliance manufacturing	1.00	0.29	0.14	1.43
273	Wiring device manufacturing	1.00	0.21	0.26	1.48
283	Motor vehicle parts manufacturing	1.00	0.41	0.00	1.42
286	Other aircraft parts and auxiliary equipment manufacturing	1.00	0.37	0.30	1.66
291	Boat building	1.00	0.35	0.21	1.56
296	Upholstered household furniture manufacturing	1.00	0.23	0.27	1.50
298	Metal and other household furniture (except wood) manufacturing	1.00	0.24	0.32	1.56
299	Institutional furniture manufacturing	1.00	0.28	0.23	1.50
301	Office furniture and custom architectural woodwork and millwork manufacturing	1.00	0.23	0.46	1.69
303	Mattress manufacturing	1.00	0.31	0.23	1.53
304	Blind and shade manufacturing	1.00	0.31	0.35	1.66
305	Surgical and medical instrument, laboratory and medical instrument manufacturing	1.00	0.26	0.34	1.60
306	Surgical appliance and supplies manufacturing	1.00	0.23	0.30	1.54
309	Dental laboratories manufacturing	1.00	0.22	0.61	1.83
311	Sporting and athletic goods manufacturing	1.00	0.28	0.28	1.56
313	Office supplies (except paper) manufacturing	1.00	0.21	0.26	1.47
314	Sign manufacturing	1.00	0.32	0.44	1.76
317	All other miscellaneous manufacturing	1.00	0.23	0.30	1.52
318	Broom, brush, and mop manufacturing	1.00	0.27	0.28	1.55
335	Transport by truck	1.00	0.41	0.40	1.81
336	Transit and ground passenger transportation	1.00	0.15	0.49	1.65
339	Couriers and messengers	1.00	0.28	0.27	1.56
340	Warehousing and storage	1.00	0.26	0.48	1.74
344	Directory, mailing list, and other publishers	1.00	0.50	0.30	1.79
345	Software publishers	1.00	0.44	0.31	1.75
350	Internet publishing and broadcasting	1.00	0.48	0.61	2.09
351	Telecommunications	1.00	0.50	0.24	1.74

352	Data processing, hosting, ISP, web search portals and related services	1.00	0.29	0.25	1.54
354	Monetary authorities and depository credit intermediation activities	1.00	0.34	0.25	1.59
355	Nondepository credit intermediation and related activities	1.00	0.44	0.62	2.07
356	Securities, commodity contracts, investments, and related activities	1.00	0.63	0.51	2.13
358	Insurance agencies, brokerages, and related activities	1.00	0.44	0.48	1.92
359	Funds, trusts, and other financial vehicles	1.00	0.99	0.33	2.32
360	Real estate establishments	1.00	0.23	0.14	1.37
362	Automotive equipment rental and leasing	1.00	0.39	0.35	1.74
365	Commercial and industrial machinery and equipment rental and leasing	1.00	0.41	0.40	1.81
367	Legal services	1.00	0.15	0.46	1.61
368	Accounting, tax preparation, bookkeeping, and payroll services	1.00	0.18	0.49	1.67
369	Architectural, engineering, and related services	1.00	0.30	0.60	1.89
371	Custom computer programming services	1.00	0.35	0.54	1.89
372	Computer systems design services	1.00	0.30	0.80	2.09
373	Other computer related services, including facilities management	1.00	0.18	0.46	1.64
374	Management, scientific, and technical consulting services	1.00	0.31	0.58	1.89
375	Environmental and other technical consulting services	1.00	0.31	0.57	1.88
376	Scientific research and development services	1.00	0.34	0.51	1.85
377	Advertising and related services	1.00	0.24	0.41	1.65
378	Photographic services	1.00	0.17	0.32	1.49
379	Veterinary services	1.00	0.23	0.49	1.72
380	All other miscellaneous professional, scientific, and technical services	1.00	0.20	0.27	1.47
382	Employment services	1.00	0.18	0.59	1.77
383	Travel arrangement and reservation services	1.00	0.34	0.41	1.75
385	Facilities support services	1.00	0.35	0.28	1.63
386	Business support services	1.00	0.35	0.56	1.91
387	Investigation and security services	1.00	0.30	0.55	1.85
388	Services to buildings and dwellings	1.00	0.28	0.41	1.70
389	Other support services	1.00	0.29	0.36	1.65
390	Waste management and remediation services	1.00	0.39	0.33	1.73
392	Private junior colleges, colleges, universities, and professional schools	1.00	0.34	0.50	1.84
393	Other private educational services	1.00	0.34	0.47	1.81
395	Home health care services	1.00	0.22	0.57	1.79
396	Medical and diagnostic labs and outpatient and other ambulatory care services	1.00	0.22	0.40	1.62
397	Private hospitals	1.00	0.33	0.48	1.81
398	Nursing and residential care facilities	1.00	0.28	0.51	1.78
399	Child day care services	1.00	0.32	0.49	1.81
400	Individual and family services	1.00	0.30	0.59	1.89

401	Community food, housing, and other relief services, including rehabilitation services	1.00	0.39	0.53	1.93
406	Museums, historical sites, zoos, and parks	1.00	0.36	0.33	1.68
413	Food services and drinking places	1.00	0.29	0.38	1.66
414	Automotive repair and maintenance, except car washes	1.00	0.21	0.47	1.68
416	Electronic and precision equipment repair and maintenance	1.00	0.15	0.48	1.63
417	Commercial and industrial machinery and equipment repair and maintenance	1.00	0.14	0.51	1.65
419	Personal care services	1.00	0.26	0.57	1.83
422	Other personal services	1.00	0.41	0.51	1.92
427	US Postal Service	1.00	0.17	0.69	1.86
431	State and local government electric utilities	1.00	0.07	0.27	1.34

APPENDIX 5: CHAPTER 5 Tables:**TABLE 5.1: Employment Impact of 35 Surveyed Awardees' Contracts**

Employment			
Impact Type	2009-2010	2010-2011	2011-2012
Direct Effect	1,270.2	1,217.0	1,296.5
Indirect Effect	477.7	391.5	456.6
Induced Effect	612.1	547.1	643.7
Total Effect	2,360.1	2,155.7	2,396.7

TABLE 5.2: Labor Income Impact of 35 Surveyed Awardees' Contracts

Labor Income (\$)			
Impact Type	2009-2010	2010-2011	2011-2012
Direct Effect	87,006,063.8	81,308,194.7	94,874,077.2
Indirect Effect	30,504,830.9	24,235,217.9	28,777,473.7
Induced Effect	31,521,583.2	28,172,618.6	33,145,332.4
Total Effect	149,032,478.0	133,716,031.3	156,796,883.3

TABLE 5.3: Total Value-Added Impact of 35 Surveyed Awardees' Contracts

Value Added (\$)			
Impact Type	2009-2010	2010-2011	2011-2012
Direct Effect	136,582,054.9	121,588,223.5	139,183,816.2
Indirect Effect	47,173,479.9	37,985,421.0	44,284,541.3
Induced Effect	55,614,773.0	49,706,123.0	58,478,840.8
Total Effect	239,370,307.8	209,279,767.6	241,947,198.3

TABLE 5.4: Output Impact of 35 Surveyed Awardees' Contracts

Output (\$)			
Impact Type	2009-2010	2010-2011	2011-2012
Direct Effect	271,273,647.7	203,495,453.7	274,531,662.1
Indirect Effect	77,766,619.8	60,429,484.3	72,486,323.5
Induced Effect	86,798,383.7	77,578,326.8	91,271,333.4
Total Effect	435,838,651.2	341,503,264.8	438,289,319.0

TABLE 5.5: Top Ten Industries for Employment by 35 Surveyed Awardees in 2011

Sector	Description	Employment	Labor Income (\$)	Total Value Added (\$)	Output (\$)
394	Offices of physicians, dentists, and other health practitioners	299.6	24,011,247	24,733,503	38,462,783
375	Environmental and other technical consulting services	233.2	13,466,484	14,715,272	21,295,709

374	Management, scientific, and technical consulting services	162.7	14,214,500	15,068,228	21,668,013
39	Maintenance and repair construction of nonresidential structures	155.4	10,332,684	11,027,520	17,581,424
387	Investigation and security services	115.0	3,119,331	3,320,685	4,982,780
413	Food services and drinking places	102.4	2,729,427	3,880,484	6,670,798
37	Construction of new residential permanent site single- and multi-family structures	87.2	6,189,741	8,131,733	14,364,575
41	Dog and cat food manufacturing	82.0	11,223,510	33,296,935	113,694,226
391	Private elementary and secondary schools	80.3	3,497,520	3,411,202	4,356,767
390	Waste management and remediation services	65.7	4,439,636	7,763,091	14,584,438

TABLE 5.6: Impact of \$100 million contract awards to certified small businesses in 2011

Impact Type	Employment (Person)	Labor Income (\$)	Total Value Added (\$)	Output (\$)
Direct Effect	4,930	314,415,386.7	411,240,561.0	717,330,327.6
Indirect Effect	1,291	81,265,202.9	125,136,911.1	200,856,186.2
Induced Effect	2,046	105,339,768.3	185,853,878.2	290,078,243.0
Total Effect	8,268	501,020,357.9	722,231,350.4	1,208,264,756.8

TABLE 5.7: Impact of \$100 million contract awards to non-certified businesses in 2011

Impact Type	Employment (Person)	Labor Income (\$)	Total Value Added (\$)	Output (\$)
Direct Effect	7,533	347,548,376.1	486,520,905.5	735,836,728.1
Indirect Effect	1,417	82,473,948.7	127,979,561.8	196,102,192.8
Induced Effect	2,219	114,261,616.4	201,595,883.6	314,647,845.6
Total Effect	11,169	544,283,941.2	816,096,350.9	1,246,586,766.5

TABLE 5.8: Top Ten sectors for Employment by certified recipients of \$100 million awards

Sector	Description	Total Employment
375	Environmental and other technical consulting services	1,070.2
413	Food services and drinking places	1,012.3
39	Maintenance and repair construction of nonresidential structures	848.6
374	Management, scientific, and technical consulting services	684.3
396	Medical and diagnostic labs and outpatient and other ambulatory care services	254.7
113	Printing	238.4
382	Employment services	211.3
389	Other support services	194.9
360	Real estate establishments	183.7
394	Offices of physicians, dentists, and other health practitioners	123.9

TABLE 5.9: Top Ten sectors for Employment by non-certified recipients of \$100 million awards

Sector	Description	Total Employment
395	Home health care services	3,445.9
389	Other support services	610.7
382	Employment services	532.9
393	Other private educational services	514.6
413	Food services and drinking places	445.0
396	Medical and diagnostic labs and outpatient and other ambulatory care services	435.0
385	Facilities support services	340.6
374	Management, scientific, and technical consulting services	260.8
387	Investigation and security services	248.5
360	Real estate establishments	230.3

TABLE 5.10: Impact of \$4.2 billion contract awards to non-certified businesses in 2011

Impact Type	Employment (Person)	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	294,889	12,942,348,045.2	18,782,204,073.6	30,921,078,935.5
Indirect Effect	59,551	3,465,692,022.2	5,377,913,310.1	8,240,539,172.2
Induced Effect	84,730	4,362,297,472.7	7,696,523,148.2	12,012,706,659.9
Total Effect	439,170	20,770,337,540.1	31,856,640,531.9	51,174,324,767.7

TABLE 5.11: Top Ten Industries for Employment from \$4.2 billion Contract Awards in 2011

Sector	Description	Total Employment	Output Multipliers
395	Home health care services	144,699.5	1.79
389	Other support services	25,653.5	1.65
382	Employment services	22,222.7	1.77
393	Other private educational services	21,511.2	1.81
396	Medical and diagnostic labs and outpatient and other ambulatory care services	18,148.0	1.62
413	Food services and drinking places	17,730.2	1.66
385	Facilities support services	14,311.4	1.63
374	Management, scientific, and technical consulting services	10,913.2	1.89
387	Investigation and security services	10,389.9	1.85
360	Real estate establishments	9,360.9	1.37

TABLE 5.12: Employment Generated by Certified LSBEs for Various Utilization Goals

Employment from Certified Small Businesses Projected for Different Utilization Goals (Person)						
Impact Type	Current awards 2%	5% Utilization Goal	10% Utilization Goal	15% Utilization Goal	20% Utilization Goal	25% Utilization Goal
Direct Effect	4,930.3	11,864.9	23,729.7	37,289.6	47,459.5	61,019.3
Indirect Effect	1,291.8	3,108.7	6,217.4	9,770.1	12,434.7	15,987.5
Induced Effect	2,046.0	2,149.0	3,188.2	4,375.8	5,266.5	6,454.2
Total Effect	8,268.1	17,122.6	33,135.3	51,435.6	65,160.8	83,461.0
Awards	\$100,000,000	\$240,652,564.2	\$481,305,128.4	\$756,336,630.4	\$962,610,256.9	\$1,237,641,758.8

TABLE 5.13: Employment Generated by Non-certified LSBEs for various Utilization Goals

Employment from non-certified firms projected for different utilization goals (Person)					
Impact Type	5% utilization goal	10% utilization goal	15% utilization goal	20% utilization goal	25% utilization goal
Direct Effect	18,128.3	36,256.5	56,974.6	72,513.1	93,231.1
Indirect Effect	3,410.4	6,820.8	10,718.4	13,641.6	17,539.2
Induced Effect	5,340.8	10,681.6	16,785.4	21,363.2	27,467.0

TABLE 5.14: Employment Impact of Awards received by Certified LSBEs and Estimated Social Benefit and Cost

Employment Impact of contract awards obtained by certified firms						
Impact Type	Current awards 2%	5% Goal	10% Goal	15% Goal	20% Goal	25% Goal
(a) Direct Effect	4,930	11,865	23,730	37,290	47,460	61,019
(b) Indirect Effect	1,292	3,109	6,217	9,770	12,435	15,988
(c) Induced Effect	2,046	2,149	3,188	4,376	5,267	6,454
(d) Total Effect	8,268	17,123	33,135	51,436	65,161	83,461
(e) Total Jobs lost by non-certified small businesses	11,169	26,880	53,759	84,478	107,518	138,237
(f) Awards (Direct Cost) (DC)	\$100,000,000	\$240,652,564	\$481,305,128	\$756,336,630	\$962,610,257	\$1,237,641,759
(g) Implicit Opportunity Cost (IOC)	\$586,752,134	\$1,412,087,384	\$2,824,174,768	\$4,437,987,421	\$5,648,344,283	\$7,262,162,189
(h) Marginal Social Cost (MSC)	\$686,752,134	\$1,652,739,948	\$3,305,479,897	\$5,194,324,051	\$6,610,954,540	\$8,499,803,948
(i) Marginal Social Benefit (MSB)	\$434,354,170	\$899,518,497	\$1,740,729,519	\$2,702,117,296	\$3,423,156,816	\$4,384,539,339

TABLE 5.15: Calculation of Marginal Social Cost and Marginal Social Benefit

Calculation of Marginal Social Cost (MSC) and Marginal Social Benefit (MSB)						
	Current awards 2%	5% Goal	10% Goal	15% Goal	20% Goal	25% Goal
Direct Cost (contract awards) (DC)	\$100,000,000	\$240,652,564	\$481,305,128	\$756,336,630	\$962,610,257	\$1,237,641,759
Implicit Opportunity Cost (IOC)	\$586,774,011	\$1,412,086,741	\$2,824,173,483	\$4,437,986,841	\$5,648,346,965	\$7,262,160,284
Marginal Social Cost (MSC)(= DC + IOC)	\$686,774,011	\$1,652,739,305	\$3,305,478,611	\$5,194,323,472	\$6,610,957,222	\$8,499,802,043
MSB is set such that it is equal to MC at 5% goal	798,065,017	1,652,739,215	3,198,348,549	4,964,759,219	6,289,567,218	8,055,977,920
Net MSB which difference between MB and MC	111,291,006	-91	-107,130,062	-229,564,253	-321,390,004	-443,824,124
MSB is set such that it is equal to MC at 10% goal	\$824,796,564	\$1,708,098,458	\$3,305,478,673	\$5,131,056,063	\$6,500,239,103	\$8,325,816,525
Net MSB which difference between MB and MC	\$138,022,553	\$55,359,153	\$62	-\$63,267,409	-\$110,718,119	-\$173,985,518
MSB is set such that it is equal to MC at 15% goal	\$834,966,533	\$1,729,159,783	\$3,346,236,137	\$5,194,323,399	\$6,580,388,843	\$8,428,476,138
Net MSB which difference between MB and MC	\$148,192,522	\$76,420,478	\$40,757,526	-\$73	-\$30,568,379	-\$71,325,905
MSB is set such that it is equal to MC at 20% goal	\$838,845,273	\$1,737,192,393	\$3,361,780,686	\$5,218,453,021	\$6,610,957,271	\$8,467,629,640
Net MSB which difference between MB and MC	\$152,071,261	\$84,453,088	\$56,302,075	\$24,129,550	\$49	-\$32,172,403
MSB is set such that it is equal to MC at 25% goal	\$842,032,433	\$1,743,792,790	\$3,374,553,644	\$5,238,280,335	\$6,636,075,352	\$8,499,802,077
Net MSB which difference between MB and MC	\$155,258,422	\$91,053,484	\$69,075,033	\$43,956,864	\$25,118,130	\$34

TABLE 5.16: Additional Employment and the Number of 9-employee LSBEs needed to Maximize Total Welfare at each Goal

Additional employment and number of 9-employee firms needed to maximize total welfare at each goal					
	5% Goal	10% Goal	15% Goal	20% Goal	25% Goal
(a) MSB that would maximize total social welfare at each goal	\$1,652,739,215	\$3,305,478,673	\$5,194,323,399	\$6,610,957,271	\$8,499,802,077
(b) Compensation per employee	\$52,534	\$52,534	\$52,534	\$52,534	\$52,534
(c) Additional total employment needed to maximize that level of social welfare	31,460	62,921	98,875	125,842	161,796
(d) Direct employment to total employment ratio	0.60	0.67	0.67	0.67	0.67
(e) Additional direct employment required to maximize welfare for each goal	18,760	42,436	66,684	84,871	109,120
(f) Projected additional direct employment regularly generated by each goal	18,128	36,257	56,975	72,513	93,231
(g) Extra direct employment needed to maximize welfare beyond what is regularly produced by each goal	632	6,179	9,710	12,358	15,889
(h) Direct employment at current 2% (used as a base)	4,930	4,930	4,930	4,930	4,930
(i) Additional direct employment added to that generated by the current 2 % to maximize welfare	13,830	37,505	61,754	79,941	104,190
(j) Number of new 9-employee firms needed	1,537	4,167	6,862	8,882	11,577

TABLE 5.17: Optimal Utilization Goals Based on LAC’S Current and Future Capability

Optimal utilization goals based on LAC current and future capability						
	5% goal	6% goal	7% goal	8% goal	9% goal	10% Goal
Additional direct employment required to maximize social welfare	13,830	18,565	23,300	28,035	32,770	37,505
Number of new 9-employee LSBEs needed	1,537	2,063	2,589	3,115	3,641	4,167
Current state-certified LSBEs that could become county certified	3500	3500	3500	3500	3500	3500
Optimal immediate goal based on LAC current capability	x					
Optimal intermediate goal based on LAC intermediate potential capability			x			
Optimal long-term goal based on LAC long-term future potential capability					x	

**APPENDIX 6: SUPPLEMENTAL DESCRIPTIONS OF TOP TEN INDUSTRIES FOR
TABLES 5.5, 5.8, 5.9, and 5.11, 5.9 and 5.11 in APPENDIX 5:**

Sector	Description	Explanatory Description relevant to LA County
37/39	Maintenance and repair construction of nonresidential structures	Building maintenance, building maintenance of job order contracts, alteration and improvements of facilities, equipment rentals and other building maintenance services to various departments.
113	Printing	Printing services for publications, promotional material, maps (Fire and Sherriff dept.), custom forms, labels and decals for broad span of county departments
356	Securities, commodity contracts, investments, and related activities	Investment services for the Treasurer & Tax Collector and the Budget & Operations Management Branch
360	Real estate establishments	Real Estate services for the District Attorney, Regional Planning Department and the Treasure & Tax Collector
374	Management, scientific, and technical consulting services	IT, engineering and other professional and general consulting services for all county departments
375	Environmental and other technical consulting services	Medical consultants for the department of public health, mapping services for the Office of Emergency Management, Environmental and Regulatory Services for other institutional departments
382	Employment services	Personnel, recruitment and related services for various departments and other employment programs including CalWorks welfare to work and refugee employment
385	Facilities support services	Parking services, incidental expenses, building rentals, document shredding services and miscellaneous public works expenses
387	Investigation and security services	Attorney services, fingerprint processing, evidence collection, laboratory services and tests, alarm system maintenance, security guard contracts, subpoena and special investigative services
389	Other support services	Interpreters, transcription services, warrant reconciliation charges, coding and abstract services, polygraph services, child abuse prevention services, substance abuse contracts, community and senior services, health and ancillary services
390	Waste management and remediation services	Waste and rubbish removal for various departments, sewage disposal for the Public Works and Internal Services department and other sanitation services
393	Other private educational services	Education and training services for various departments including the Public Social Services department
394	Offices of physicians, dentists and other health practitioners	Health screening services, pathologists for forensic purposes, paramedic centers and clinics, clinical psychology services, occupational and industrial therapist services
395	Home health care services	Respiratory care services for LAC+USC, Harbor/UCLA MC and mental health contract services for the Fire and Mental Health department
396	Medical and diagnostic labs and outpatient and other ambulatory care services	Medical equipment maintenance, clinical lab reagents Tests for rehabilitation centers, X-ray, ambulance and pharmaceutical, psychological, MRI and other health services for various

		departments
397	Private hospitals	Drug testing and in-custody emergency medical aid for the Probation and Sheriff's department
413	Food services and drinking places	Food, Meals and Lodging for institutional uses, including but not limited to the Juvenile Court Health Services, Public Health department, Fire department and Children & Family Services

APPENDIX 7: Glossary Of Terms:

Direct Effect in impact analysis:

The set of expenditures applied to the predictive model for impact analysis.

It is a series of production changes or expenditures made by producers/consumers as a result of an activity or policy. These initial changes are determined by an analyst to be a result of this activity or policy. Applying these initial changes to the multipliers in an IMPLAN model will then display how the region will respond, economically to these initial changes.

DVBE:

Disabled Veteran Business Enterprise (DVBE) is defined as a business that is majority owned by one or more disabled veterans either through direct ownership or a business whose stock is publicly held with the majority of the stockholders are disabled veterans.

GDP (nominal) and real GDP:

Gross Domestic Product, also known as national output, is the final expenditures on all goods and services at purchasers' prices including the net difference of the value of exports of goods and services and the value of imports of goods and services. The difference between real and nominal GDP is that "real" GDP is adjusted for inflation.

GRP (nominal) and real GRP:

Gross Regional Product, or regional output, is the final expenditures on goods and services at purchasers' prices specific to a defined region measuring all transactions occurred within the domain of said region e.g. Los Angeles county. Gross Regional Product is part of Gross Domestic Product.

IMPLAN code:

A system of numerical classification for defining and aggregating different industries for the purposes of economic and business analysis produced for the specific use of input-output analysis and simulations with IMPLAN software.

Implicit opportunity cost:

Implicit opportunity costs are the implied costs represented by the lost opportunity in the use of resources and time in an alternative activity or cost incurred from not taking the next best action.

Indirect Effect in impact analysis:

The impact of local industries buying goods and services from other local industries. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to value added. The impacts are calculated by applying Direct Effects to the Type I Multipliers.

Induced effect in impact analysis:

The response by an economy to an initial change (direct effect) that occurs through re-spending of income received by a component of value added. IMPLAN's default multiplier recognizes that labor income (employee compensation and proprietor income components of value added) is not a leakage to the regional economy. This money is recirculated through the household spending patterns causing further local economic activity.

NAICS code:

North American Industry Classification System. A system of industrial classification—developed and used by the United States, Canada, and Mexico—for grouping establishments by similarity of production process. Beginning with the 1997 Economic Census, NAICS has replaced the 1987 SIC as the primary industry classification system used for U.S. economic statistics. NAICS features more detailed classifications for the services industries and improved classifications for the high-tech industries. (See also “Economic Census”.) (BEA)

Output in impact analysis:

Output represents the value of industry production. In IMPLAN these are annual production estimates for the year of the data set and are in producer prices. For manufacturers this would be sales plus/minus change in inventory. For service sectors production = sales. For Retail and wholesale trade, output = gross margin and not gross sales.

Output Multiplier:

Derived from the I-O total requirements tables, the output multipliers show the amount of output required to satisfy a given level of final-use expenditures. For the commodity-by-commodity total requirements table, it is the production required both directly and indirectly of the commodity at the beginning of each row per dollar of delivery to final use of the commodity at the top of the column. For the industry-by-commodity total requirements table, it is the industry output required to deliver a dollar of a commodity to final users. For the industry-by-industry total requirements table, it is the industry output required to deliver a dollar of industry output to final users. (BEA)

Small business (definition by U.S. Small Business Administration):

A small business is a privately owned and operated business. A small business typically has a small number of employees. In the United States, the legal definition of a small business is determined by the U.S. Small Business Administration ([SBA](#)), which sets the criteria to be used by the SBA in making small business determinations.

Criteria by the SBA in determining the definition of a small business includes the number of workers employed or annual receipts. The following criteria are used by the SBA to define a small business:

- Manufacturing: Maximum number of employees may range from 500 to 1500
- Wholesaling: Maximum number of employees may range from 100 to 500
- Services: Annual receipts may not exceed \$2.5 to \$21.5 million
- Retailing: Annual receipts may not exceed \$5.0 to \$21.0 million
- General and Heavy Construction: Annual receipts may not exceed \$13.5 to \$17 million
- Special Trade Construction: Annual receipts may not exceed \$7 million

Agriculture: Annual receipts may not exceed \$0.5 to \$9.0 million

Small Business Certification in Los Angeles County:

To be eligible for certification, the business must meet the following criteria:

- Must be independently owned and operated
- Cannot be dominant in its field of operation
- Must have principal office in Los Angeles County for at least 12 months
- Must have its owners (officers in the case of a corporation) domiciled in California
- With its affiliates, must be either:
 1. A business fewer than 100 employees and an average of \$ 14 Million or less over the last three-year period.
 2. A manufacturer with 100 or less employees.

Local SBEs are eligible for an **eight (8%)** bid price reduction or “preference” during the evaluation process when bidding for goods and services in response to solicitations by the County.

State Mandate for small businesses and DVBE:

California Legislative mandates require that state agencies and departments place 25 percent of their total annual expenditures with the small business community and 3 percent with the DVBE community.

State Certification for small business:

In order for a small business to be eligible for certification in the State of California, the small business must meet the following requirements:

- Be independently owned and operated;

- Not dominant in field of operation;
- Principal office located in California;
- Owners (officers, if a corporation) domiciled in California; and,
- Including affiliates, be either,
 - A business with 100 or fewer employees; an average annual gross receipts of \$14 million or less, over the last three tax years;
 - A manufacturer with 100 or fewer employees; or,
 - A microbusiness. A small business will automatically be designated as a microbusiness, if gross annual receipts are less than \$3,500,000; or the small business is a manufacturer with 25 or fewer employees.

Total effect in impact analysis:

The sum of Direct effect, Induced effect and indirect effect measured and estimated in impact analysis.

Utilization goals:

The goals in percent of the money available for procurement set by Los Angeles County for certified local small business enterprises.

Value-added:

The difference between an industry's or an establishments total output and the cost of said industries intermediate inputs. Value added consists of compensation of employees, taxes on production and imports less subsidies, and gross operating surplus. It is a measure of the contribution to GDP made by an individual producer, industry or sector.

APPENDIX 8: Biographical Information of Faculty Involved in the Project:

The study was prepared by the following faculty of the College of Business and Economics, California State University, Los Angeles

1. Dang T. Tran, Ph.D. Economics, Maxwell School of Citizenship and Public Affairs, Syracuse University.
Professor of Economics & Statistics
Former Chair of Department of Economics & Statistics.

Principal Economist and Director of the Economic Development and Infrastructure Project funded by the U.S. Economic Development Administration and U.S. Department of Transportation, *Regional Plan Association*, New York City, New York, 1980-1981.

Selected Publications:

Tran, Dang T. (1986) "Locational Factors in the Declining Industrial Competitive Advantage of the New York Urban Region," *Journal of Regional Science*, 26, no.1 (February), 121-139.

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2. Tye Jackson, Ph.D., Marketing Science, University of California, Berkeley
Chair and Professor of Marketing
Associate Partner, Accenture
Senior Manager, KPMG Consulting (BearingPoint)

Selected Publications:

Jackson, Tyrone, W., Yen, Josephine and C. Illades, (2008) "Operate a mortgage company like a factory," *The Capco Institute: Journal of Financial Transformation*, 23, 165-172.

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3. Freddy Lee, Ph.D. Marketing, University of British Columbia
Associate Professor of Marketing

Selected publications:

Lee, F (2012), "An Empirical Analysis: Wine and the Consumer Price-Perceived Quality Heuristics," *Atlantic Marketing Journal*. 4, No.3 pp 31- 35.

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Lee, F. (2011), "The Consumer Price-Perceived Quality Heuristic on the Hotel Industry", *Review of Business Research*, 12, No. 1 pp 96-101.

4. Ali Jalali, Our Grad Assistant in the Project, is a Masters student studying Economics at California State University, Los Angeles where he received his Bachelor of Arts in the dual majors Philosophy and Economics in 2012. He is currently finishing his thesis on the subject of foreign direct investment in South East Asia. He will pursue Ph.D. studies in Economics after completing his graduate studies at CalStateLA. Ali Jalali will focus his future research in the field of International Economics and Time Series Econometrics and aims to contribute substantially to the scholarly lite